

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: 2000-2001 Revised Proposed Budget

ITEM NUMBER: 4

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: October 14, 1999

INFORMATION: _____

PRESENTER: Ms. Plett

Attached is the Revised Proposed Budget and supporting detail for the 2000-2001 fiscal year. This revised proposed budget is \$52,499,000, a 6.6 percent increase over 1999-2000. Increases are due to scheduled baseline adjustments and 24 Budget Change Proposals (BCPs) which request expansion or changes to programs.

This package reflects one withdrawn BCP and includes three additional BCP's from the initial package reviewed in July. The first addition (BCP 22, Board Member Elections) requires the Governors signature. The second (BCP 23, Regional Counseling Services) is dependent on the Board's policy direction for program expansion. BCP 24, Contingent Disbursing Agent, is dependent on the outcome of the Board's discussion. Please note that not all information or data, have been received by staff on statewide issues such as general salary increases. Therefore, this presentation is without that cost data, but our final budget numbers will be adjusted for those statewide issues.

As discussed at the July 1999 initial budget presentation, the detailed BCP narratives and baseline cost adjustments are submitted to the Committee for its review at this time. Staff are requesting that the Committee approve this 2000-2001 revised proposed budget.

Sep. 27, 1999

REVISED PROPOSED BUDGET
2000-2001 BUDGET YEAR
STATE TEACHERS' RETIREMENT SYSTEM
FUND 0835

1999-00 APPROVED GOVERNOR'S BUDGET	\$47,254,000
Finance Letter: START	2,000,000

I. BASELINE ADJUSTMENTS:

Merit Salary Adjustment	432,600	
Employee Compensation	Pending	
Price Increase @ 2%	485,000	
Hdqtrs. Building Rent Adjustment, 2nd & 3rd Floor	73,200	
Hdqtrs. Building Rent & Tenant Improvements, 1st Floor	321,400	
Pro Rata Adjustment	Pending	
Delete 1999-00 One-Time Costs	(4,664,300)	
Delete Finance Letter: START	(2,000,000)	
Total Baseline Adjustments	-----	(5,352,100)

II. 2000-2001 PROPOSED BUDGET NEEDS

Business Growth	3,668,900	
One-Time Expenditures	4,928,600	
Total Proposed Budget Needs	-----	8,597,500
TOTAL PROPOSED, 2000-2001		<u><u>\$52,499,400</u></u>

Sept. 27, 1999

BUDGET CHANGE PROPOSALS
2000-2001
STATE TEACHERS' RETIREMENT SYSTEM
FUND 0835

<u>BCP No.</u>	<u>PROPOSED CHANGE</u>	<u>Positions</u>	<u>Amount</u>
1.	Establish two positions in support of the Legal Office.	2.0	\$126,100
2.	Establish one position in support of the Personnel Office.	1.0	\$63,400
3.	Establish one position in support of the Quality & Training Office.	1.0	\$88,200
4.	Establish six positions in support of additional activities in the Investment Office.	6.0	\$389,600
5.	Augment Temporary Help and Overtime in the Client Benefits and Services Branch to accommodate START implementation.	- - -	\$250,000
6.	Establish eight, one year limited term positions in the Client Benefits and Services Branch to accommodate START implementation.	8.0 LT	\$421,600
7.	Establish one position in the Client Benefits and Services Branch to manage Internet E-mail.	1.0	\$56,800
8.	Establish one position in the Client Benefits and Services Branch to support AB 820, which will allow partial redeposits and monthly supplementals.	- - -	Withdrawn
9.	Establish one position in the Accounting Division to process workload associated with the purchase of additional service credit.	1.0	\$77,700
10.	Establish one position in the Accounting Division to process workload transferred from the State Treasurer to CalSTRS.	1.0	\$78,300
11.	Establish one position in the Accounting Division to process	1.0 LT	\$77,700

Sept. 27, 1999

BUDGET CHANGE PROPOSALS
2000-2001
STATE TEACHERS' RETIREMENT SYSTEM
FUND 0835

<u>BCP No.</u>	<u>PROPOSED CHANGE</u>	<u>Positions</u>	<u>Amount</u>
	workload associated with Cash Balance Plan rollovers.		
12.	Provide funding for one position and consulting services in the Info. Tech. Services Div. in support of E-Commerce.	1.0	\$164,000
13.	Provide funding for contract programmers to support on-going START maintenance and enhancements in the Info. Tech. Services. Div.	- - -	\$600,000
14.	Establish one position in the Info. Tech. Services Div. to support research and development of emerging technology.	1.0	\$89,000
15.	Provide funding for one position, equipment, and data processing to support STRSNet maintenance in the Info. Tech. Services. Div.	1.0	\$180,600
16.	Establish one position in the Info.Tech. Services Div. in support of CalSTRS new e-mail system.	1.0	\$72,700
17.	Establish one Exempt Actuary position.	1.0	\$200,000
18.	Establish one position and augment data processing in the Legislation, Planning & Prog.Dev.Div. in support of CalSTRS' website.	1.0	\$110,800
19.	Establish one position in the Legislation, Planning & Prog. Dev. Div. in support of clerical functions.	1.0	\$58,200
20.	Establish one position in the Legislation, Planning & Prog. Dev. Div. in support of the Cash Balance Benefit Program.	1.0	\$58,200

Sept. 27, 1999

BUDGET CHANGE PROPOSALS
2000-2001
STATE TEACHERS' RETIREMENT SYSTEM
FUND 0835

<u>BCP No.</u>	<u>PROPOSED CHANGE</u>	<u>Positions</u>	<u>Amount</u>
21.	OMNIBUS TECHNOLOGY	- - -	\$4,186,400
	A. Provide funding to implement corporate imaging and workflow technology. The project will initially be managed by the Info. Tech Services Div.	\$2,556,700 - - -	
	B. Provide funding in the Info. Tech Services Div. to implement a PC leasing program.	\$181,700 - - -	
	C. Provide funding for equipment in the Info.Tech. Services Div. to automate the backup of all data and application files resident on STRS Net.	\$148,000 - - -	
	D. Provide funding for START II.	\$1,300,000 - - -	
22.	Conduct Board Elections (for three new Board members).	1.0	\$377,000
23.	Augment Regional Counseling Services.	4.0	\$649,200
24.	Fund contingent services of benefit payments in the event the State Controllers Office is unable to make the payment.	- - -	\$222,000
TOTAL BCP'S		<u>35.0</u>	<u>\$8,597,500</u>

2000-01 BUDGET CHANGE PROPOSALS
BCP #1

TITLE:	Augment Legal Office Staff	
BRANCH/OFFICE:	Executive Branch Legal Office	
SUMMARY:	This BCP requests funding to establish one Legal Analyst and one Senior Legal Typist to address workload increases with Community Property and Investment issues in the Legal Office.	
TOTAL POSITIONS:	2	
TOTAL COST:	\$126,100	(\$107,600 permanent funding) (\$ 18,500 one-time funding)



TITLE OF PROPOSED CHANGE: Augment Staff due to Increased Workload

A. NATURE OF REQUEST:

The Legal Office seeks to add one Legal Analyst and one Sr. Legal Typist to its current staff complement.

B. BACKGROUND/HISTORY:

The Legal Office handles a wide range of legal issues of critical concern to the System and to its members and beneficiaries. In addition to its traditional role in legal matters related to benefits administration, such as administrative appeals of benefit denials, the Office has played an increasing role in the review in the investment and community property areas. In the investment area, the Legal Office provides the final level of legal due diligence for the System's real estate and private equity investments as well as for credit enhancement agreements. Further, the Office supervises litigation arising from the System's investments, is involved in the negotiation, drafting, review and approval of investment-related contracts, and considers the tax implications of certain aspects of investments on the System's tax-exempt status.

In the Community Property area, the Office serves as the primary contact for members and their attorneys who are dealing with the effects of dissolution of marriage on retirement benefits. This workload is in three primary areas. The first is the processing of so-called "joinders" of the System, in which the System is placed on legal notice by a court that the retirement benefits of a member are subject to division by the Court. The second is the resolution of "Statements of Account," in which the System is required to estimate, on a preliminary basis, the resulting retirement benefits to a member and his or her spouse if the benefits are split between them pursuant to a future divorce decree. The third is the administration of the segregation of community interests pursuant to SB 1190, in which the retirement account is actually divided in one of two primary ways to effectuate the division of community property ordered by the Court.

The current authorized staffing of the Legal Office is one Chief Counsel, one Assistant Chief Counsel, four staff counsel, two Senior Legal Analysts, one Executive Assistant and one Senior Legal Typist. This staff level has remained unchanged since 1995, when the second of the two paraprofessional positions was added to the office. As noted in the following, the workload of the Office in the investment and community property areas has increased dramatically since that date, necessitating action to avoid drops in service levels.

Increased Workload in Investment Area

The investment workload in the Office has historically been performed by a single Staff Counsel. The workload for this position has increased significantly in two areas over the last three years. The first area is in real estate transactions. In calendar year 1996, there were a total of 7 closings (either purchases or sales of a property). In 1997, there were a total of 8 closings, and in 1998, there were a total of 9. For the first six months of 1999, however, there have already been a total of 8 closings and 8 more transactions are in process. It is anticipated that this level of activity will be sustained since the System is now moving aggressively to purchase properties in order to meet its targeted asset allocation in this area.



The second area is in credit enhancement. In calendar year 1996, the Legal Office reviewed 5 such transactions. This increased to 14 in 1997 but decreased to 11 in 1998. However, in the first six months of 1999 there have already been a total of 11 transactions, and this level of activity is expected to increase as the System moves into the area of providing credit enhancement for school bonds.

Even greater workload increases have been experienced in the community property area. Total joinders increased from 440 in 1996 to 458 in 1997 and to 501 in 1998. For the first six months of 1999, we have processed 196, however, historically more cases come in during the last half of a calendar year as compared to the first half. This increase has been felt primarily at our support staff level. Statements of Account have likewise increased; from 430 in 1996 to 490 in 1997 to 498 in 1998. There has been a huge surge of requests in the first four months of 1999 (273 through April 1999), but we believe that this is partly a one-time workload based upon recent benefits increases adopted by the Legislature. In the segregation of community interests area, there were increases from 192 in 1996 to 207 in 1997 and to 230 in 1998. It appears from the first four months of 1999 that workload in this area will be somewhere between 1997 and 1998 levels.

In order to address these increases in workload, the Office proposes to add one Legal Analyst and one Senior Legal Typist. The goal of this proposal is to free up time currently spent by the Senior Legal Analysts on matters that could be handled by less-expert staff, such as answering inquiries from members about the status of their cases and handling less-complicated matters. In turn, this would make the time of the Senior Legal Analysts available to perform some work currently performed by staff counsels, such as the easier administrative appeals, subpoenas, and subrogation matters. That staff counsel time could then, in turn, be able to be devoted to the increasing workload in the investment area. In effect, the goal of the proposal is to allow the Legal Office to perform more legal work without the need to hire more attorneys, in an effort to be as cost-effective as possible.

C. STATE LEVEL CONSIDERATIONS:

None known from a budget or personnel perspective. The community property function of the office is essentially a customer service function and service levels to the members and beneficiaries of the System are a matter of general concern. The investments area is very sensitive due to the large amounts of money involved and providing a high-level of service to both the Investment Office and the Board is imperative.

D. JUSTIFICATION:

The current staffing of the Legal Office does not allow it to provide the necessary level of service to its clients and customers. This proposal is the most cost-effective way in which to address that need.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

- 1) Rely more heavily on outside counsel in the Investment Area: This was considered but rejected as an option because outside investment counsel typically charge in excess of \$200 per hour, making the use of state counsel much more cost-effective in this area. Further, this option would provide no solution to the increased workload in the community property area



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- 2) Increase attorney staffing by one Staff Counsel: This was considered as an option but also rejected. While it would provide a relatively cost-effective way to handle the increased workload in the investment area, it would provide no benefit in the community property area and is less cost-effective than the recommended solution
 - 3) Do nothing: This was considered as an option but rejected because absent some action, service levels in the Office will decline to unacceptable levels.

F. TIMETABLE:

If approved, the Office would hire staff into the proposed positions effective July 1, 2000.

G. RECOMMENDATION:

Approve the addition of one Legal Analyst and one Senior Legal Typist to the Legal Office staff.

2000-01 BUDGET CHANGE PROPOSALS
BCP #2

TITLE: Augment Personnel Staff Due To Additional Workload

BRANCH/OFFICE: Administration Branch
Personnel Office

SUMMARY: This BCP requests funding to establish one Personnel Services Specialist I (PSS) position. Currently two PSS staff process all the personnel transactions for CalSTRS. Due to the growth in CalSTRS positions the related personnel transactions will soon be unmanageable. One position is needed to balance the workload.

TOTAL POSITIONS: 1

TOTAL COST: \$63,400 (\$54,000 permanent funding)
(\$ 9,400 one-time funding)



TITLE OF PROPOSED CHANGE: Augment Personnel Staff Due
to Additional Workload

A. NATURE OF REQUEST: Increase the personnel office staff by one position.

BACKGROUND/HISTORY:

The Department has historically employed two (2) transaction staff to process personnel payroll, health benefits, workers compensation and other personnel related transactions. In the past, the departmental staffing levels hovered around 380-430 employees (permanent, intermittent, temporary) Thus, the roster for each PSS was approximately 190-215 employees. However, with the number of departmental staff increasing to over 500 permanent employees plus the addition of temporary staff (students/seasonals/retired annuitants) and the increased activity in the programs for each employee, the roster size and workload can no longer be handled by existing staff.

C. STATE LEVEL CONSIDERATIONS:

N/A

D. JUSTIFICATION:

The number of departmental staff increasing to over 500 permanent employees plus the addition of temporary staff (students/seasonals/retired annuitants) and the increased activity in the programs for each employee, the roster size and workload can no longer be handled by existing staff. An additional transaction staff is necessary to ensure timely and accurate documentation of employee's payroll, benefits, workers compensation and other related transaction processing necessitated by, but not exclusive to the increase in federal laws (FMLA for example).

The Personnel Services Specialist (PSS) position is responsible for the processing of employment transactions for all CalSTRS employees. Transactions include but are not limited to the following:



- Certifies, and posts attendance for employee payroll;
- Responsible for releasing payroll warrants;
- Has authority to process documentation related to garnishment of wages;
- Has input in all facets of the issuing, verifying and releasing all employee warrants
- Process all appointment documents;
- Makes all salary determinations;
- Responsible for department's position control;
- Process all benefit documents
- Responsible for processing Workers Compensation claims
- Responsible for the filing as mandated by the Fair Political Practices Commission

All of these transactions are complicated by various laws, rules, regulations, practices as found in the particular Memorandum of Understanding, any State/Federal Law, Government Code, the Department of Personnel Administration Laws/Rules as well as the State Personnel Board's Laws/Rules; CAL OSHA Regulations and internal departmental policies and procedures.

Our proposal to increase our PSS staff from two (2) to three (3) is necessitated by the increased volume of work and the increased complexity of the work. The increase nature of the work is as a direct result of the increased number of employees in the department.

Since at least as far back as 1988, the CalSTRS has employed two Personnel Services Specialist responsible for processing all of the aforementioned duties for all its employees. For FY 2000/01, CalSTRS projects having in excess of 500 employees, with future projections sure to continue this growth trend. With the increase in employees, we know that it will automatically increase the number of transactions processed by the PSSs immediately. We know that we will be increasing the number of hires, benefit enrollment, salary calculations, and any future changes that these employees elect to make to their coverages.

We have already begun to have the Personnel Analyst assume some of the duties that have been historically assigned to the PSS staff. For example, the Fair Political Practice Commission disclosure statements have been done by the PSS staff and the Contract staff. A few years ago, the PSS assumed full responsibility of this assignment. Today a Personnel Analyst does this work. We have also added a new position control report, that until implemented is the responsibility of the Personnel Analyst, but will eventually add a new and additional workload to our PSS staff.

We do know that with the current staffing of, 2 PSSs with an average roster of 220 employees, workers compensation and other added responsibilities associated with the various



employee transactions, is quickly becoming unmanageable, any increase of total staff will definitely be unmanageable.

Our research shows that other departments keep an average ratio of 200-220 employees per PSS, and in some cases this includes workers compensation claims. A review of the 1999-2000 Governor's Budget, Salaries and Wages Supplement shows that state departments, regardless of size, average less than 230 employees per roster. A sample is listed below:

Department	Number of PSS Positions	Total Number of Employees
CALPERS	9	1,000
SPB	1	175
Alcohol and Drug	2	313
Finance	3	351
Integrated Waste		
Mgmt. Board	3	426
CalSTRS proposed	3	500+

With the addition of one (1) PSS position, we can reasonably balance workload for each staff member, and ensure that each customer is given appropriate attention and service to ensure that each transaction is processed in a timely and accurate manner. The additional position at this time also allows us the opportunity to balance the workload, reassign workload and potentially assign new workload to the PSS staff. We believe that with the additional position, we will not have to address staffing issues of this nature for at least the next 5 years.

The increase in the PSS position is in line with the Administrations' Branch function, which is to provide administrative support services to the organization.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:



The technical nature of these positions do not lend themselves to redirecting existing staff to accomplish this work, thus no other alternative is effective, other than to establish an additional position.

F. TIMETABLE: Establish for the 2000/01 fiscal year.

G. RECOMMENDATION: Approve request as proposed.

2000-01 BUDGET CHANGE PROPOSALS
BCP #3

TITLE: Establish One Staff Services Manager I Position To Serve As A
Leadership Skills Trainer And Facilitator

BRANCH/OFFICE: Administration Branch
Quality and Training Services

SUMMARY: This BCP requests funding to establish one Staff Services Manager I position. CalSTRS is implementing a leadership development program and the individual staffing this position will design and deliver training curriculum, and provide coaching and consultation.

TOTAL POSITIONS: 1

TOTAL COST: \$88,200 (\$78,800 permanent funding)
(\$ 9,400 one-time funding)



TITLE OF PROPOSED CHANGE: Establish One Staff Services Manager I Position To
Serve As A Leadership Skills Trainer And Facilitator.

A. NATURE OF REQUEST:

CalSTRS is committed to developing a high performance workforce capable of meeting the changing and growing needs of its customers and the marketplace. New demands are continually being made on our workforce. Technology advances require the use of new skills. New and better services in the private sector cause CalSTRS to continually upgrade our benefits and services. All of this requires our staff to learn new skills. To be successful, we must foster a customer-focused, innovative, high performance culture. To foster such a culture change, we must develop new leadership skills among our supervisors and managers.

In response to the need to develop a high performance workforce, CalSTRS has developed its Workforce Development Initiative. Part of this initiative is the creation of a competency-based Leadership Development program, staffed by one position. The incumbent in the position will be a key change agent, responsible for designing and delivering training curriculum tailored to CalSTRS' desired future culture. The incumbent will also coach and consult with individual managers and supervisors to develop leadership competencies

Traditionally, CalSTRS has relied on external training resources to provide leadership development. Each manager or supervisor has selected the particular courses she or he prefers to attend. In addition, we have occasionally brought in consultants to design and deliver curriculum in response to specific needs identified department-wide. An example is a course titled "Feedback for Results" which was designed and delivered by an external consultant group in FY97-98. The cost was approximately \$20,000. Overall, our leadership development strategy has resulted in a significant level of variation in management knowledge, skill and style. In FY98-99, CalSTRS spent approximately \$19,000 on leadership development for its managers and supervisors. CalSTRS currently has no staff specifically assigned to conducting leadership development training. Four analysts are assigned to facilitating process improvement teams, teaching classes associated with continuous improvement and change management; and consulting on teamwork, process improvement, and change management. These staff resources are currently consumed with existing workloads.

The leadership development program is a new initiative that will provide consistent, in-depth training to CalSTRS managers and supervisors on how to lead, support and develop people. As will be shown below, an in-house program is far less costly than paying external sources for the same training and consultation. While we will continue to out-source certain types of training, an internal leadership training position will allow us to create consistency of presentation of core competencies; to move toward greater consistency in leadership skill without diminishing diversity of thought and



personal strengths. This position will report to the same manager as the other quality and training staff, ensuring coordination and efficient use of agency-wide resources.

B. BACKGROUND/HISTORY:

Government Code Section 19995.4 requires departments to develop the leadership skills of their managers and supervisors. The direct benefit of such development accrues first to the managers' and supervisors' staff; our external customers receive the benefit through better service that derives from more successfully coached, supported, satisfied, more competent, more capably led employees. CalSTRS has nine years of experience with implementing continuous improvement as a business practice and philosophy. Our in-service training and development focus has been on business process improvement and creating organization-wide understanding of quality concepts and practices; we now need to add an emphasis on developing leadership skills in support of those concepts and practices. This approach has been used successfully in many State departments, such as PERS, EDD, FTB, Social Services, HWDC, the Department of Water Resources.

Training, continuous process improvement and total quality management functions at CalSTRS are carried out by the Quality and Training Services Division (Q&TS). In the past, this office has administered traditional staff training and development courses and facilitated process improvement efforts. CalSTRS has not previously administered or staffed a focused leadership development program that is aligned with the organization's strategic objectives. The new leadership development program being initiated is an integral part of the CalSTRS Workforce Development Initiative, one of CalSTRS' major strategic projects, which aims to increase the level of efficiency and customer service at all levels of staffing.

Leadership development programs are not new to state service. At least half of all state agencies conduct such programs. Similar approaches to delivering leadership development training has been successfully carried out at the Public Employees' Retirement System, the Employment Development Department, Franchise Tax Branch, the Department of Social Services, the Health and Welfare Data Center, and the Department of Water Resources, to name just a few.

C. STATE LEVEL CONSIDERATIONS:

The Governor's 1999-2000 Budget Summary states that "...the Governor is charging his departments and employees to continuously improve the operations of California state government, focusing efforts on better outcomes rather than just marginal changes to bureaucratic processes. *Investments in both technology and people will be needed to achieve change in the future.*" And, "The Administration values what state employees have to offer and will foster and grow this employee asset base through improved training and career development"

The State Consumer Services Agency, has initiated a high-level team that is engaged in developing a model of leadership competencies that will serve as a blueprint for departments to design leadership development programs. One of CalSTRS' Executive Staff is an active member of that team. Our



proposed position will enable CalSTRS to implement that blueprint. By developing leaders from within state service, we can ensure a continually improving state workforce. This will allow better services to be rendered to the public at lower cost.

D. JUSTIFICATION:

This position is in support of the agency's 1998-99 Business Plan. One of the four strategic goals identified in that Plan is to be, "An organizational environment that is professional, productive, and innovative." One of the tactical initiatives implementing this strategic goal is the Workforce Development Initiative, which includes the leadership development program.

The CalSTRS leadership development program will provide training and guidance to managers in the Baldrige Award categories: 1) Strategic Planning, 2) Customer and Market Focus, 3) Information and Analysis, 4) Vision and Leadership, 5) Human Resource Development, 6) Process Management, and 7) Business Results. An integrated leadership development program yields far greater benefit than discrete, separate courses in an unconnected variety of skill-based areas such as, time management, interpersonal skills, project management, employee discipline, etc. While these areas are important in and of themselves, they do not build the foundation for a culture change.

There are many advantages to staffing a leadership development program in-house. One is cost. Contracting out for this type of service is far more costly than internal staffing. Private consultants and trainers typically charge between \$500 and \$1000 per day for preparation and delivery at this level training. There are 29 managers and executive staff who will participate in the leadership development program. This group would be broken down into two or three groups of manageable training class size. A series of two-day courses in the seven areas listed above for each group would require an initial investment of between \$32,000 and \$84,000. The underlying assumptions are: (1) two groups of managers for fourteen training days each, (2) one half day prep for each day of training, (3) fees between \$500 and \$1000 per day, (4) the industry standard for curriculum development at two days of time for every day of course delivery. It does not include the cost of continued coaching and advising critical to achieving a culture change with this type of integrated curriculum.

Another advantage of using internal staffing for a leadership development program is that the curriculum design can be tailored to CalSTRS. Making the program agency-specific makes the material more applicable to the actual work that managers perform every day. External contracting sources cannot replicate the type of internal knowledge possessed by in-house staff without spending considerable time, at considerable expense, inside the agency.

Because of the nature of the program, the position must be allocated no lower than the Staff Services Manager I (SSM I) level. The person in this position must be able to maintain credibility with managers and members of Executive Staff and other senior managers. In order to do this, the person



State Teachers' Retirement System
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must have managerial and organizational experience commensurate with the managers being developed in the leadership development program. If the position is not staffed at the SSM I level, the efficacy of the program will be severely compromised.

2000-01 BUDGET CHANGE PROPOSALS
BCP #4

TITLE: Investment Officers For Various Programs and Clerical Support

BRANCH/OFFICE: Investment Branch
Investment Support

SUMMARY: This BCP requests funding to establish six positions to meet new or proposed program expansions. Among them are the internal securities lending; credit enhancement; cash equitization; internal equities, and the related increases in workload associated in the Operations Unit. Funding is requested for: one Assistant Investment Officer; one Associate Investment Officer; two Investment Officer I's ; one Investment Officer II; and one Office Technician.

TOTAL POSITIONS: 6

TOTAL COST: \$389,600 (permanent funding)



TITLE OF PROPOSED CHANGE: Investment Officers for Various Programs &
Clerical Support

A. NATURE OF REQUEST:

Establish five (5) full time permanent positions at various levels within the Investment Officer classification series and one (1) Office Technician, Typing position. These positions are to satisfy increased workload and implementation of new programs, adopted or proposed, as follows:

Assistant Investment Officer –increased workload due to expansion of the internal securities lending program.

Associate Investment Officer – increased workload due to the expansion of the Credit Enhancement Program.

Investment Officer II – increased workload due to the implementation of the Cash Equitization program.

Office Technician, Typing – increased workload in the Internal Equity Unit due to new programs being introduced.

*Investment Officer I – evaluation of internal voting of international proxies, if approved, increased workload.

Investment Officer I – increased workload in the Operations Unit due to implementation of new programs.

* This position will be required only if the activity is approved by the Investment Committee.

B. BACKGROUND/HISTORY:

The current value of CalSTRS' portfolio is in excess of \$97 billion. This represents a growth of over \$12 billion in one year. To manage and maintain this growth CalSTRS must pursue a plan that maximizes the return on the portfolio, while minimizing risk. The current asset allocation adopted by the Teachers' Retirement Board (Board) is as follows:

Domestic Equity	38%
International Equity	25%
Fixed Income	26%
Real Estate Equity	5%
Alternative Investments	5%
Cash	1%

During this last year CalSTRS moved within the approved ranges of the allocation adopted by the Board. Supplementing the optimum allocation, innovative programs must be implemented in order to enhance the overall return of the portfolio, such as, cash equitization, securities lending, etc. These programs were implemented in the current year, however, increased workload has necessitated additional positions to assure that the programs are operating within the guidelines established in the adopted policies. In addition staff will continue to research new ideas and, if feasible, present recommendations to the Investment Committee for implementation.



C. STATE LEVEL CONSIDERATIONS:

Not applicable.

D. JUSTIFICATION:

Several programs were implemented during the current fiscal year at the direction of the Board. To assure that these programs are operating within the guidelines established additional positions are required to handle the increased workload. In addition presentations on programs such as voting international proxies will be made to the Board in the coming year.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Not implement Board approved programs. This is not acceptable as the potential increased income and return on the portfolio will not be recognized.
2. Approve the request for the positions.

F. TIMETABLE:

July 1, 2000

G. RECOMMENDATION:

Alternative #2.

2000-01 BUDGET CHANGE PROPOSALS
BCP #5

TITLE: Overtime and Temporary Help To Accommodate START Implementation

BRANCH/OFFICE: Client Benefits & Services Branch
Client Benefits and Services

SUMMARY: This BCP requests funding to augment the overtime and temporary help blankets to accommodate START implementation. This support is necessary to provide the resources and flexibility to attend to numerous implementation tasks anticipated with the initiation of START. Specific efforts include data clean up, downtime recovery and enhancements to START.

TOTAL POSITIONS: 0

TOTAL COST: \$250,000 (one-time funding)



TITLE OF PROPOSED CHANGE: Overtime and Temporary Help To Accommodate START Implementation.

A. NATURE OF REQUEST:

During Fiscal Year 2000-01, CalSTRS anticipates the culmination and implementation of a multi-year database conversion project. This BCP is to provide the necessary resources to address the redirection of a minimum of 20 production staff positions to accomplish the numerous implementation tasks in both a pre and post START environment. This one-time augmentation will allow the flexibility to handle the shifting priorities necessary to successfully implement the START Project while maintaining expected service levels in the delivery of benefits and services to CalSTRS members.

B. BACKGROUND/HISTORY:

The START Project has been ongoing for several years. This database development and conversion project has required a substantial commitment of CalSTRS staff, particularly in the Client Benefits and Services Branch. Facing the actual implementation of a project of this magnitude and scope, staff identified three primary tasks that cannot be accomplished with current staffing allocations. It is anticipated that by providing a one-time overtime and temporary help augmentation, CalSTRS will be able to accomplish the database implementation tasks while maintaining ongoing production. The tasks for which these funds will be allocated are defined as follows:

1. **Data clean-up:** In order to insure the completeness and accuracy of converted member and data records, trained staff must analyze and correct exception listings prior to processing benefits. It is estimated that such effort will require approximately 500 – 1000 hours assuming an average processing time of one hour per case.
2. **Downtime Recovery:** It is anticipated that there will be approximately 30 days during the actual conversion from the IDMS to ADABAS that the on-line system will not be available for data entry. Following this period of "downtime," CalSTRS staff will be required to process all of the data entry workload (1,000 Service Retirement applications, 430 death notifications, 50 disability applications, 1,000 address changes, and 3,000 beneficiary changes) that would normally have been processed during the 30-day period, plus, the new incoming workload once the new ADABASE system becomes operational.
3. **Enhancements to START:** Benefits to members have been and continue to be enhanced through the legislative process. Many of these enhancements have not been integrated into the START Project and will be added post START implementation. Additionally, certain functions deemed not critical to START implementation on March 1, 2000, must be added post START. This represents a substantial workload.

C. STATE LEVEL CONSIDERATIONS:

Not applicable.



D. JUSTIFICATION:

This BCP requests resources needed in support of the CalSTRS Business Plan Goal of continuous improvement in the delivery of benefits and services. The production objectives which support this goal are specified below:

Service Retirements:

- Process 100 percent of all service retirement application payments within 30 days of the retirement effective date or receipt of completed application, whichever is later.
- Complete 100 percent of all final service retirement payments within 45 days of receipt of all necessary information.
- Finalize 90 percent of all service retirement payments within four months of the retirement effective date.

Survivor Benefits

- Process 95 percent of all applications within 30 days of receipt of all necessary information.
- Complete 95 percent of all death benefit payments for retired members within 90 days of receipt of notification of death.

Disability Services

- Process 100 percent of all eligible applications within 180 days of receipt.
- Process 95 percent of all approvals within 30 days of receipt of all necessary information.
- Process 100 percent of all initial payments within ten working days following the latter of the disability approval date, disability effective date or receipt of all necessary information.

Public Service

- Answer 95 percent of all calls in less than three minutes.
- Answer 95 percent of all calls on the first contact.
- Respond to 90 percent of all correspondence in ten working days.

Regional Counseling Services

- Conduct 400 workshops.
- Provide 22,000 retirement interviews.
- Deliver 30 mid-career programs to STRS members.

Additionally, the law requires interest be paid on benefits not paid within 45 days of the benefit effective date, approval date, or receipt of last required information, whichever is later. Without the requested resources, benefits will not be paid within the 45-day standard resulting in an increase in interest penalty payments.

With a project of this magnitude and scope, it is not possible, at the current staffing levels, to implement the new database within existing resources and maintain service delivery system levels achieved by CalSTRS. Without augmentation, services to our client population will be greatly reduced and delayed for an excessive and unacceptable period of time.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:



Alternative 1: Provide the Client Benefits and Services Branch with an overtime and temporary help augmentation to provide the flexibility to allocate resources and staffing as needed.

All tasks required by the database implementation necessitate the focus and use of trained, knowledgeable staff at the time of immediate need. It is not feasible to recruit new or temporary staff for these tasks. The training period and learning curve would be excessive and would nullify any benefits gained by recruiting additional resources.

Alternative 2: Do not increase resources. Recognize that during the implementation phase the normal workload of the benefit and services program becomes backlogged and that services to clients will be delayed for an indefinite period of time. This will result in under-served, dissatisfied members and additional interest penalty payments.

Alternative 3: Provide the limited term positions required to complete pre- and post-implementation tasks as well as complete the on-going production workload. Eight limited term positions have been requested for the 2000/01 fiscal year. Overtime and temporary help resources are required to supplement the limited term positions. The overtime and temporary help resources will permit trained, knowledgeable staff to complete the tasks as specified above.

F. TIMETABLE:

Alternative 1 would allow funding to be available to the Client Benefit and Services Branch throughout the Fiscal Year 2000-01 on a one-time basis.

G. RECOMMENDATION:

Alternative 1. Provide the requested one-time overtime and temporary help augmentation to the Client Benefits and Services Branch to facilitate and fund the necessary work that must be completed as a result of the implementation of the new database.

2000-01 BUDGET CHANGE PROPOSALS
BCP #6

TITLE: Limited Term Positions To Accommodate START Implementation

BRANCH/OFFICE: Client Benefits & Services Branch
Client Benefits and Services

SUMMARY: This BCP requests funding to establish eight, one-time limited term positions to accommodate START implementation. During Fiscal year 2000-01, CalSTRS will have implemented START and these positions are necessary to provide the resources and flexibility to backfill production and related support staff positions redirected to START.

TOTAL POSITIONS: 8 LT 1YR

TOTAL COST: \$421,600 (one-time funding)



TITLE OF PROPOSED CHANGE: Limited-Term Positions to Accommodate
START Implementation.

A. NATURE OF REQUEST:

During Fiscal Year 2000-01, CalSTRS anticipates the culmination and implementation of a multi-year database conversion project. This BCP is to provide eight limited-term positions to address the redirection of a minimum of 20 production staff positions to accomplish the numerous implementation tasks in both a pre and post START environment. These one-time limited-term (12 months) positions will allow the maintenance of expected service levels in the delivery of benefits and services to CalSTRS members and support the successful implementation of the START Project.

B. BACKGROUND/HISTORY:

The START Project has been ongoing for several years. This database development and conversion project has required a substantial commitment of CalSTRS staff, particularly in the Client Benefits and Services Branch. Twenty production staff positions have been redirected to accomplish several post START implementation related tasks including data clean-up, end user training, and enhancement to START. It is anticipated that additional positions will need to be redirected to complete the implementation tasks.

The tasks for which the eight limited-term positions will be allocated are the functions provided by the production staff positions redirected to START including retirement, disability, and survivor benefit application processing, benefit determinations and adjustments, telephone and correspondence inquiries, and analytical tasks. These functions are needed to provide expected service levels in the delivery of benefits and services to CalSTRS members. The eight positions will be administratively established in 1999/2000 to provide the resources needed due to the redirection of production staff to the START project. These resources will continue to be required in 2000/2001.

C. STATE LEVEL CONSIDERATIONS:

Not applicable.

D. JUSTIFICATION:

This BCP requests resources needed in support of the CalSTRS Business Plan Goal of continuous improvement in the delivery of benefits and services. The production objectives which support this goal are specified below:

Service Retirements:

- Process 100 percent of all service retirement application payments within 30 days of the retirement effective date or receipt of completed application, whichever is later.
- Complete 100 percent of all final service retirement payments within 45 days of receipt of all necessary information.



- Finalize 90 percent of all service retirement payments within four months of the retirement effective date.

Survivor Benefits

- Process 95 percent of all applications within 30 days of receipt of all necessary information.
- Complete 95 percent of all death benefit payments for retired members within 90 days of receipt of notification of death.

Disability Services

- Process 100 percent of all eligible applications within 180 days of receipt.
- Process 95 percent of all approvals within 30 days of receipt of all necessary information.
- Process 100 percent of all initial payments within ten working days following the latter of the disability approval date, disability effective date or receipt of all necessary information.

Public Service

- Answer 95 percent of all calls in less than three minutes.
- Answer 95 percent of all calls on the first contact.
- Respond to 90 percent of all correspondence in ten working days.

Regional Counseling Services

- Conduct 400 workshops.
- Provide 22,000 retirement interviews.
- Deliver 30 mid-career programs to STRS members.

Additionally, the law requires interest be paid on benefits not paid within 45 days of the benefit effective date, approval date, or receipt of last required information, whichever is later. Without the requested resources, benefits will not be paid within the 45-day standard resulting in an increase in interest penalty payments.

With a project of this magnitude and scope, it is not possible, at the current staffing levels, to implement the new database within existing resources and maintain service delivery system levels achieved by CalSTRS. Without augmentation, services to our client population will be greatly reduced and delayed for an excessive and unacceptable period of time.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1: Provide eight limited-term (12 months) positions to programs to complete on-going production functions which cannot be accomplished due to the redirection of production staff to post START implementation tasks. Twenty production staff positions have already been redirected to meet these needs leaving a substantial gap in production staff resources. Providing timely retirement benefits to members, beneficiaries, and disabled teachers is necessary to support them in their time of need and is statutorily mandated. The eight positions will be allocated as follows: Service Retirement (4); Survivor Benefits (2); Public Service (1) and Support Services (1).

Alternative 2: Do not increase resources. Recognize that during the pre and post START implementation phase the normal workload of the benefit and services program becomes



backlogged and that services to clients will be delayed for an indefinite period of time. This will result in under-served, dissatisfied members, and additional interest penalty payments.

Alternative 3: Provide overtime and temporary help funds to meet the resource requirement resulting from the redirection of staff to START implementation tasks. Overtime and temporary help funds are being requested to supplement the request for the limited term positions. It is unreasonable to expect permanent staff to work the number of hours of overtime required to handle the production workload and the START implementation tasks.

F. TIMETABLE:

Alternative 1 would allow eight limited-term (12 months) positions to be available to the Client Benefits and Services Branch throughout the Fiscal Year 2000-01 on a one-time basis.

G. RECOMMENDATION:

Alternative 1. Provide the requested one-time limited-term positions (12 months) to the Client Benefits and Services Branch to accomplish necessary work that must be completed as a result of the implementation of the new database.

2000-01 BUDGET CHANGE PROPOSALS
BCP #7

TITLE: Augment Staff To Manage Internet E-mail

BRANCH/OFFICE: Client Benefits & Services Branch
Public Service Office

SUMMARY: This BCP requests funding to establish one Program Technician II to process the E-mail workload received on CalSTRS' internet site.

TOTAL POSITIONS: 1

TOTAL COST: \$56,800 (\$47,900 permanent funding)
(\$ 8,900 one-time funding)



TITLE OF PROPOSED CHANGE: Augment Staff to Manage Internet E-Mail

A. NATURE OF REQUEST:

In early 1997, the California State Teachers' Retirement System (CalSTRS) added the "Info Now" feature to its external Internet site. Using this feature, members and other interested parties e-mail CalSTRS' Public Service Office (PSO) with their questions or concerns. PSO staff download the e-mail message, conduct the necessary research, and respond to the member/constituent. While contact volumes were initially low, during the past year the volume has grown from approximately 20 to nearly 300 per month. Additional staffing has become necessary to provide a reasonable response time to these inquiries.

B. BACKGROUND/HISTORY:

When "Info Now" was initiated, contact volumes were relatively minor and an existing PSO analyst position was given the added responsibility of researching and answering the e-mail questions. As volumes increased and the analyst was unable to keep up with "Info Now" and his regular workload, this responsibility was reassigned and rotated among the four PSO supervisors. In addition to increasing volumes, most of the questions are not as generic as originally anticipated, requiring research on the members' personal account information and an individualized response. Even though instructed not to, members frequently send personal and confidential information over the Internet.

Virtually all of the "Info Now" inquiries are answered by the Public Service staff. An average e-mail requires 20 to 30 minutes to analyze, research, and formulate a response. This has equated to more than .5 PY over the last eight months. Difficulties in absorbing this workload resulted in a standing six- to eight-week backlog. Clearly, anyone using the Internet medium will find this response rate unacceptable where members' expectations lean more to a six- to eight-minute response time. While we initially anticipated that the introduction of an Internet e-mail option for members would decrease correspondence and call volumes, this has not been the case. Both these workloads have significantly increased during this same timeframe. All indicators are that these volumes will continue to increase.

The workload is now distributed among our four team leaders and one analyst with technical research assistance from experienced phone technicians. For complex questions, staff usually calls the member rather than responding through the Internet. This allows staff to ensure all the members' questions are answered without a series of follow-up e-mail messages.

In summer 1998, CalSTRS' webmaster added a "Complaint Form" to the external Internet site in response to a legislative mandate contained in AB 206. Unlike the more generic "Info Now" feature, the complaint form provides a specific e-mail location for members to voice their complaints. These e-mails are processed in much the same way as "Info Now" and add an additional 20 to 30 contacts per month to our processing volumes. In actual practice, the content of e-mails received from the complaint form are no different than those sent through "Info Now". Only 10 percent of the "Complaint Form" e-mails are truly complaints.



C. STATE LEVEL CONSIDERATIONS:

None

D. JUSTIFICATION:

The Public Service staff answer virtually all of the e-mail questions sent to CalSTRS. An average e-mail requires 20 to 30 minutes to analyze, research, and formulate a response. With over 1,600 e-mails coming in from both venues for the past seven months, over 0.6 PY would be necessary to answer these inquiries at existing volumes. Due to large workloads in every area, much of the e-mail is processed during overtime.

Several factors indicate that e-mail volumes from "Info Now" and the "Complaint Form" will continue to grow:

- CalSTRS' continued tactical emphasis on web page communication with its members and constituents;
- The growth of e-commerce as a business strategy for all organizations, including CalSTRS, and a growing expectation for doing business by Internet;
- Willingness by our members to use the Internet and PINs to access CalSTRS, as expressed in a recent customer survey;
- CalSTRS' strategic goal to increase customer access to a 24 hours a day, 7 days a week standard.

At this point, PSO's key leadership staff are dedicated to this responsibility. In order for the PSO to function effectively in the future, the four team leaders and one analyst must be able to focus on their primary responsibilities. To improve customer service in this area and to provide maximum staffing flexibility, the bulk of this workload must be redirected to the 30 customer service technicians in PSO. An additional technician PY will allow us to absorb this workload into the technician population.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Discontinue "Info Now" E-mail Access. Although this alternative would eliminate the workload altogether and the resulting backlogs, this would clearly not meet our members' expectations for round-the-clock, immediate information access. E-commerce is in the near future for most organizations, and eliminating "Info Now" would be a move in the wrong direction for CalSTRS.
2. Augment Staff to Manage Internet E-Mail. This alternative will improve e-mail response time to an acceptable level while maintaining a key component of CalSTRS' 24 hours a day, 7 days a week access strategy. It also ties to the Business Plan objective for continuous improvement in the delivery of benefits and services to our membership. On the recent customer survey, members indicated access to CalSTRS was their top priority. Maintaining e-mail access while improving the response time will be vital to augmenting our traditional 8 a.m. to 5 p.m. phone service.



F. TIMETABLE:

Staff and equipment in place by July 1, 2000.

G. RECOMMENDATION:

Adopt the alternative 2. This alternative will allow PSO to handle Internet e-mails through "Info Now" in a more timely manner.

2000-01 BUDGET CHANGE PROPOSALS
BCP #9

TITLE: Accounts Receivable Workload Increases Due To Permissive
Service Credit Purchases

BRANCH/OFFICE: Information & Financial Systems Branch
Accounting Division

SUMMARY: This BCP requests funding to establish one Senior Accounting Officer Specialist. This position is needed to process the increasing workload due to members purchasing service credit for non-qualified service-airtime, out-of-state service, and previously withdrawn contributions and service.

TOTAL POSITIONS: 1

TOTAL COST: \$77,700 (\$68,000 permanent funding)
(\$ 9,700 one-time funding)



TITLE OF PROPOSED CHANGE: Accounts Receivable Workload Increases Due To
Permissive Service Credit Purchases

A. NATURE OF REQUEST:

Sections 23200 – 23203 of the Teachers' Retirement Law authorizes members of the State Teachers' Retirement System (STRS) to redeposit previously withdrawn contributions and receive credit for the associated service. In addition, Section 22820, (added by Chapter 569, Statutes of 1997), allows members to purchase out-of-state service credit, and Section 22826, (added by Chapter 1076, Statutes of 1998), allows members to purchase up to 5 years of nonqualified service; (i.e., "airtime"). Furthermore, commencing July 1, 1995 the Internal Revenue Service (IRS) issued a ruling which allows employers to "pick up" these member service credit purchases under IRC 414(h)(2) provisions for payments for redeposits and purchases of additional service.

As such, permissive service credit purchases have been escalating very rapidly. Permanent staff resources are necessary to support the additional accounts receivable workload. (Previously withdrawn contributions, out-of-state service, nonqualified service-airtime.

There is no impact on other State departments.

B. BACKGROUND/HISTORY:

STRS law permits a member to purchase credit for various types of service that was previously refunded, (both in-state and out-of-state), as well as for "airtime." When the 1995 IRS ruling was released allowing for permissive service credit to be purchased with "pre-tax" dollars, the rate of redeposit elections began increasing at a much greater rate. In accordance with IRC requirements, before a member can elect to purchase permissive service credit with pre-tax earnings, their employer must have a resolution on file with STRS. At first gradually, but particularly during the past two years, most employers now have a resolution. In 1995, one in five member requests for a cost breakdown to purchase prior service actually resulted in an election to buy back service. Today, one in three requests are resulting in election. Add to this the new types of service credit available for purchase, and STRS permissive receivable workload is growing in leaps and bounds.

C. STATE LEVEL CONSIDERATIONS:

This BCP is in accordance with STRS' goals and objectives to expand and improve upon benefits, continuously improve the delivery of benefits and services, maximize the level of benefits and services with available funding, and research and apply information technology which meets or exceeds internal and external needs.

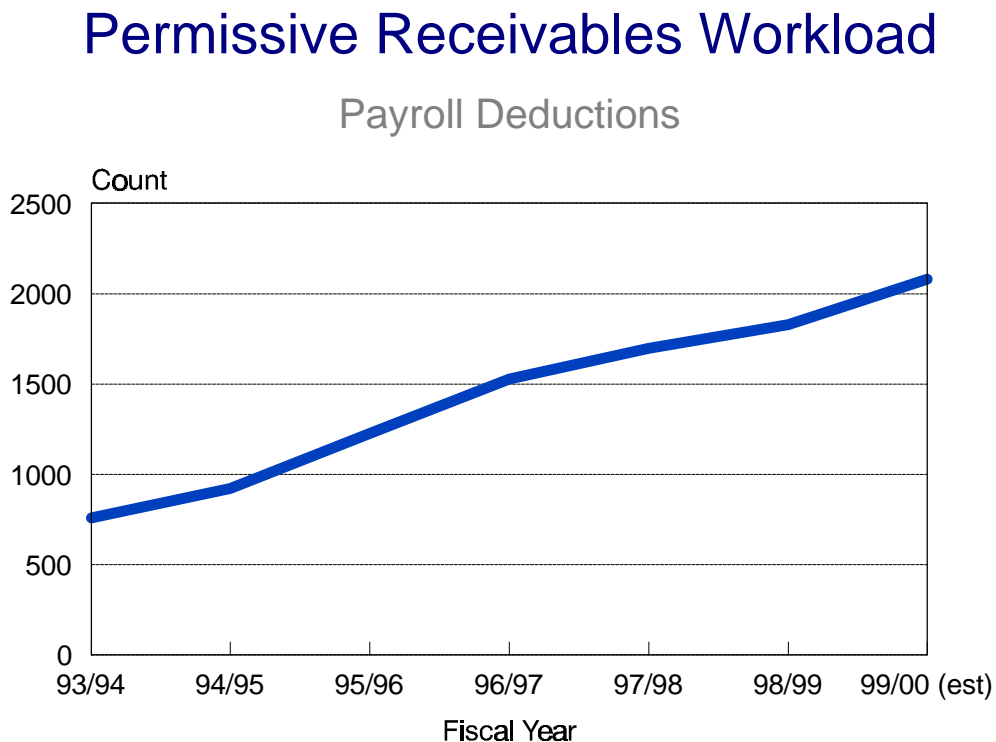
D. JUSTIFICATION:

The Teachers' Retirement Board sponsored legislation, in part, to amend the Teachers' Retirement Law to permit STRS members to purchase credit in the STRS Defined Benefit Plan for out-of-state service and "airtime." These legislative mandates provide members the opportunity to increase their retirement benefit that is payable from this plan, and enhance California's efforts to recruit the volume of teachers needed to meet the States' class-size reduction goals. In addition, the IRS ruling allows teachers the ability to pay for such service with "pre-tax" income, thus making it very attractive to elect to purchase additional service credit.



In order to continue to provide the required level of service to handle this large increase in permissive receivables workload, STRS will require additional resources. Specifically, STRS is proposing to permanently establish one full-time Senior Accounting Officer (Specialist) position in the Accounting Division.

Below is a graph that demonstrates workload increase in permissive receivables:



E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

- 1) Continue with existing staffing level:
This alternative would result in severe negative impact to STRS' goals to continuously improve in the delivery of benefits and services to its members, and to achieve the maximum level of benefits and services within available funding. STRS would lose its ability to manage the number of receivable cases in the budget fiscal year. Furthermore, not addressing this staff need would agitate employee unions, provoke calls from legislators, subject STRS to potentially bad press, cause substantially more calls and controlled correspondence from members, and potentially increase Legal workload.
- 2) Overtime/Temporary help:
For the past 4 years, STRS has already been using overtime and Retired Annuitants to maintain this ever-increasing workload. Prolonged use of overtime can be counterproductive, since working extra hours adds undue stress to existing workloads. Continued use of Retired Annuitants is no longer viable either, considering on-going labor intensive recruitment efforts



of limited term employees, the potential voids in the workflow during recruitment periods, and on-going training and development requirements for new staff.

- 3) Establish a contract for services:
This is not a viable alternative when considering the fact that STRS has appropriately trained civil service staff with the expertise to perform the functions associated with this program.
- 4) Establish one permanent Senior Accounting Officer position and provide one-time funding to handle the increased workload in permissive service credit purchases:
This is the preferred alternative, as it provides the necessary level of service STRS has committed itself to for our membership. In addition, this alternative avoids potential pitfalls that could result in financial catastrophes for both our members and the System; (i.e., premature tax liabilities and penalties for incorrect rollovers and/or employer "pick-up" of payroll deduction payments; or potential jeopardizing of STRS' qualified tax status for not properly monitoring IRS rulings or the adhering to the IRC).

This position would be established in the Accounting Division (IFS Branch).

F. TIMETABLE:

Establish a permanent, full-time Senior Accounting Officer (Specialist) position effective July 1, 2000.

Appropriate \$78,000 from the Trenchers' Retirement Fund effective July 1, 2000 to fund the position.

G. RECOMMENDATION:

Approve the funding for the establishment of one permanent, full-time Senior Accounting Officer (Specialist) to handle the increasing permissive service credit purchases workload

2000-01 BUDGET CHANGE PROPOSALS
BCP #10

TITLE: Augment Financial Accounting Staff Due To New Workload
Mandated by Control Agencies

BRANCH/OFFICE: Information & Financial Systems Branch
Accounting Division

SUMMARY: This BCP requests funding to establish one Senior Accounting Officer Specialist. The Treasurer has determined that maintenance of the growing and expanding EFT adjustment process requires an ever-increasing amount of resources. Responsibility for completing the adjustments is being transferred to the originating state agencies. In order to handle this new workload one new position is needed.

TOTAL POSITIONS: 1

TOTAL COST: \$78,300 (\$68,000 permanent funding)
(\$10,300 one-time funding)



TITLE OF PROPOSED CHANGE: Augment Financial Accounting Staff Due To New Workload Mandated By Control Agencies.

A. NATURE OF REQUEST:

The Offices of the State Treasurer and State Controller have mandated that workload resulting from the processing of electronic funds transfer (EFT) adjustments (rejects, reversals, etc.) be transferred from the State Treasurer's Office to the state entity originating the electronic payment. One full-time Senior Accounting Officer is needed to perform the requisite EFT reconciliations and to coordinate with the agent bank on discrepancies which are identified as a result of these reconciliations. In order to handle the above new workload, one full-time Senior Accounting Officer is requested for the upcoming budget year.

B. BACKGROUND/HISTORY:

The new workload emanates from the electronic funds transfer (EFT) process used to pay approximately 90% of the System's 160,000 monthly benefit recipients. For various reasons each month, adjustments must be made to a number of these EFT payments. As STRS is one of 12 state agencies who use this process, identification and reconciliation of these adjustments is a lengthy and complex process. The Treasurer has determined that maintenance of the growing and expanding EFT adjustment process requires an ever increasing amount of resources. As the STO is not staffed to meet this challenge, it has mandated that each of the participating agencies assume responsibility for its own EFT adjustment process. This task requires that the System establish a special bank account, then daily reconcile detail of all activity in that account with various deposits, fees, reversals, rejects, and other information being provided from a secondary source of information. As the information from the bank is reported as one aggregate amount, extensive coordination and analysis is needed to determine the accuracy of detail posted to the account. The process will also require that the STRS staff member daily contact the bank and other participating agencies to identify additional deposits or charges posted to the aggregate amount each day. The number of detail lines included in each day's deposit can range from 10 to 1,000. The State Treasurer has requested that we assume these duties as quickly as possible. The creation of this position will make transfer of the workload possible.

C. STATE LEVEL CONSIDERATIONS:

The System must assume responsibility for this process because it is a result of a payment methodology that STRS has embraced, and the control agency previously responsible for the program has mandated the upkeep of the process to each of the participating agencies. .

D. JUSTIFICATION:

This proposal helps to fulfill goal number 1 - Financially Sound Retirement System, of the STRS strategic plan. This position will also help us to provide the highest level of customer service to the System's benefit recipients meeting goals number 2, Continuous improvement in the delivery of benefits and services, and number 3, Maximum level of benefits and services within available funding . As the State Treasurer has mandated that STRS take on this workload, and there is not currently sufficient staff to perform this additional task, it is necessary to augment accounting with a professional staff person to accomplish this mandate.



E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative one - Do not take on additional workload

This alternative is not desirable because STRS has been mandated by a control agency to take on the work, and the Systems seeks to work in harmony with the other arms of California State Government.

Alternative two - Use existing resources to accomplish the workload

This alternative is not desirable because financial accounting staff are working at capacity. There is no other workload which can be set aside to allow the timely and accurate performance of this workload.

Alternative three - Establish a Sr. Accounting Officer (Specialist) to perform the workload

This alternative is the recommended course of action. The professional, journey-level accountant will be capable of performing the work necessary to reconcile the bank accounts and details and to communicate with the bank and other state agencies to identify and correct discrepant information.

Alternative four - Contract with a third party to provide this service

This alternative is not recommended because the cost of a contract for this daily process would be high. The third party would also have to gain access to the System's bank and agency checking accounts. This is not recommended because STRS would still have to maintain staff to oversee and review all work done on the System's behalf.

Alternative five - Do not reconcile the bank account/agency checking account

This alternative is in direct violation of SAM, and Generally Accepted Accounting Principles. Cash accounts must be reconciled, therefore this alternative is not recommended.

F. TIMETABLE:

The Senior Accounting Officer (Specialist) should be established as quickly as possible. As STRS was not aware that the work was going to be mandated early enough to request the position for the beginning of the 1999/2000 fiscal year, we are requesting the position as of July 1, of the 2000/2001 fiscal year.

G. RECOMMENDATION:

We recommend that a Senior Accounting Officer (Specialist) position be established as of July 1, 2000, to perform work mandated by Control Agencies.

2000-01 BUDGET CHANGE PROPOSALS
BCP #11

TITLE: Workload Increases From Cash Balance Plan Rollovers

BRANCH/OFFICE: Information & Financial Systems Branch
Accounting Division

SUMMARY: This BCP requests funding to establish one Senior Accounting Officer Specialist for a two year limited term. Formalized procedures permitting qualified contributions to be “rolled in” will be developed by this Senior Accounting Officer . CalSTRS is predicting that a large startup workload will occur whereby members roll in contributions from other qualified plans. Although this workload is permanent in nature, it is anticipated that once the START project is fully operational this workload will be absorbable.

TOTAL POSITIONS: 1 LT 2YR

TOTAL COST: \$77,700 (\$68,000 permanent funding)
(\$ 9,700 one-time funding)



TITLE OF PROPOSED CHANGE: **Workload Increases From Cash Balance Plan Rollovers**

A. NATURE OF REQUEST:

Part 14 of STRS Law established the Cash Balance Plan (CBP) on July 1, 1996. CBP provides portability of retirement savings to teachers who work less than 50% of full-time. As such, it is expected that the CBP will incur a large workload from members wishing to "roll in" contributions from other qualified plans. Although STRS Law allows for rollovers into the CBP, the Department (to date) has not accepted this practice until formalized procedures are developed and approved. It is expected that such procedures will be in place in the very near future, as this would make the CBP a truly portable retirement savings plan. As a requirement of the Internal Revenue Service, The Plan accepting rollover contributions is responsible for ensuring the qualification of such rollovers. Prior to CBP, rollover workload required one full-time Senior Accounting Officer to process 20 cases per month. CBP will likely double or triple this workload, as the very nature of the CBP is to provide portability.

In order to handle the above workload increase, one full-time, limited-term Senior Accounting Officer position is requested for the upcoming budget year. Although this workload is permanent in nature, STRS believes that (at this time), once START is fully operational---24 to 30 months after "going live"--- the department may enjoy efficiencies to absorb the additional workload without adding staff.

There is no impact on other State departments.

B. BACKGROUND/HISTORY:

Chapter 592, Statutes of 1995, (Part 14 of STRS Law) established the Cash Balance Plan (CBP) on July 1, 1996. As stated previously, this plan provides portability of retirement savings to teachers who work less than 50% of full-time. As such, it is expected that the CBP will incur a large workload from members wishing to "roll in" contributions from other qualified plans. Up to this point in time, membership in STRS' CBP was small and growing at a very manageable rate. However, many districts are discovering the benefits of our CBP and membership has just recently begun to escalate. There is no reasonable means to estimate the future workload of CBP rollover workload; however, STRS program personnel (who are in contact with "front-line" district management) are currently working with several districts to potentially "roll in" a substantial number of new member accounts who have tax sheltered savings in other qualified plans. Currently, Accounting Division utilizes one full-time Senior Accounting Officer position to process 20 cases per month for the Defined Benefit Plan (DBP). Workload associated with CBP rollovers would be identical to DBP rollovers.

We are requesting one two-year, limited-term Senior Accounting Officer to assist with the increased workload.

C. STATE LEVEL CONSIDERATIONS:



This BCP is in accordance with STRS' goals and objectives to expand and improve upon benefits, continuously improve the delivery of benefits and services, maximize the level of benefits and services with available funding, and research and apply information technology which meets or exceeds internal and external needs.

D. JUSTIFICATION:

The Teachers' Retirement Board sponsored legislation to amend the Teachers' Retirement Law to enhance services to its membership by establishing the CBP to provide a retirement savings plan to those teachers who work less than half-time and are otherwise excluded from STRS membership. This legislative mandate provides members a greater service, as well as an opportunity to increase their retirement benefits. Also, the CBP enhances California's efforts to recruit the volume of teachers needed to meet the States' class-size reduction goals.

In order to continue to provide the above-mentioned services, STRS will require additional resources. Specifically, STRS is proposing to establish one full-time Senior Accounting Officer (Specialist) position, (on a two-year limited-term basis), in the Accounting Division.

Although this workload is permanent in nature, STRS believes that, once START is operational the department may enjoy efficiencies to absorb the additional workload without adding staff.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

- 1) Continue with existing staffing level:
This alternative would result in severe negative impact to STRS' goals to continuously improve in the delivery of benefits and services to its members, and to achieve the maximum level of benefits and services within available funding. STRS would lose its ability to manage and process rollover cases in the budget fiscal year. Furthermore, not addressing this staff need would agitate employee unions, provoke calls from legislators, subject STRS to potentially bad press, cause substantially more calls and controlled correspondence from members, and potentially increase Legal workload.
- 2) Overtime/Temporary help:
This alternative is not viable, as prolonged use of overtime can be counterproductive, since working extra hours adds undue stress to existing workloads. Staff have been, and will likely continue to work overtime on the new START ADABAS system for the next two to three years. Continued use of Retired Annuitants is no longer viable either, considering on-going labor intensive recruitment efforts of limited term employees, the potential voids in the workflow during recruitment periods, and on-going training and development requirements for new staff.
- 3) Establish a contract for services:
This is not a viable alternative when considering the fact that STRS has appropriately trained civil service staff with the expertise to perform the functions associated with this program.
- 4) Establish one two-year limited-term Senior Accounting Officer position to handle the increased workload from CBP rollovers and EFT rejects:
This is the preferred alternative, as it provides the necessary level of service STRS has committed itself to for our membership. In addition, this alternative avoids potential pitfalls that could result in financial catastrophes for both our members and the System; (i.e., pre-



mature tax liabilities and penalties for incorrect rollovers; or potential jeopardizing of STRS' qualified tax status for not properly adhering to the IRC).

This position would be established in the Accounting Division (IFS Branch).

F. TIMETABLE:

Establish a two-year, limited-term Senior Accounting Officer (Specialist) position effective July 1, 2000.

Appropriate \$78,000 from the Trenchers' Retirement Fund effective July 1, 2000 to fund the position.

G. RECOMMENDATION:

Approve the funding for the establishment of one two-year limited-term Senior Accounting Officer (Specialist) to handle the increasing workload associated with CBP rollovers.

2000-01 BUDGET CHANGE PROPOSALS
BCP #12

TITLE: E-Commerce

BRANCH/OFFICE: Information & Financial Systems Branch
Information Technology Services Division

SUMMARY: This BCP requests funding for one Staff Information Systems Analyst Specialist. CalSTRS strategic direction is to improve communication and service to its members and one method of improvement is through electronic commerce. After the Feasibility Study Report is completed and approved, this position will undertake the implementation of e-commerce and provide on-going support.

TOTAL POSITIONS: 1

TOTAL COST: \$164,000 (\$77,700 permanent funding)
(\$86,300 one-time funding)



TITLE OF PROPOSED CHANGE: E-Commerce

A. NATURE OF REQUEST:

Conducting business online, or over the Internet, has increased significantly over the past couple years. More and more state departments and financial institutions are making use of the Internet, or e-commerce, to transact business with their customers.

Most schools utilize computers in the classroom. As such, teachers are computer literate and have become accustom to doing business over the Internet. E-commerce will enhance benefits and services to our members, the teachers of California.

B. BACKGROUND/HISTORY:

CalSTRS interaction with our members has typically been through the mail, walk-ins and our Regional Counseling services. These modes of performing transactions are often times slow and inconvenient.

Since CalSTRS web site was established we are seeing an increased level of access by our members to obtain information and send inquiries via e-mail. This is a strong indication of the trends in technology and the demands of our members. E-commerce is a likely next step in increasing services and staying in step with our member's needs.

C. STATE LEVEL CONSIDERATIONS:

There are no State level considerations.

D. JUSTIFICATION:

CalSTRS strategic direction is to improve communication and service to our members. By allowing our members to sit in the comforts of their home and access their account information for such purposes as changing their address or beneficiary designation and retiring online we are making significant progress toward achieving our strategic direction.

Our recent member survey indicated the majority of members have access to the Internet and are willing to use a Personal Identification Number (PIN) to access their account information. As the current teaching population ages and younger teachers are even more computer literate, we will see an even greater increase in these trends. E-commerce is a logical next step to improve communication and service to members.

An additional benefit to this technology is the ability for employers to report member information online rather than mailing diskettes, tapes or hardcopy. This will increase the service to employers by expanding their window of time for reporting and provide quicker turnaround on exception reporting.



E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Do Nothing:

Maintain the current mode of delivering services to members and employers.

Implement E-Commerce Technology:

Implement e-commerce technology and continue to grow and enhance the functionality.

This alternative best meets CalSTRS' strategic direction.

F. TIMETABLE:

Fiscal Year 1999/2000: Prepare feasibility study report (FSR)

Fiscal Year 2000/2001: Solicit and hire experienced staff
Implement FSR recommendations

Fiscal Year 2001/2002: Further enhancements

G. RECOMMENDATION:

The recommended alternative is to augment Information Technology Services Division (ITSD) staff by 1 PY and procure necessary hardware (FTP server and printer), software and consulting services to implement e-commerce. The estimated cost for fiscal year 2000/2001 is:

Ongoing	\$77,700
One-time	\$86,300

2000-01 BUDGET CHANGE PROPOSALS
BCP #13

TITLE: Analysis/Programming Support

BRANCH/OFFICE: Information & Financial Systems Branch
Information Technology Services Division

SUMMARY: This BCP requests funding for contract programmers on an as needed basis. The post START environment will require the expertise of contract programmers to provide system enhancements and modifications due to new legislation.

TOTAL POSITIONS: 0

TOTAL COST: \$600,000 (\$600,000 permanent funding)



TITLE OF PROPOSED CHANGE: Analysis/Programming Support

A. NATURE OF REQUEST:

Information Technology Services Division (ITSD) provides ongoing support and enhancements to CalSTRS corporate database (Currently Online System and soon to be START.). A base-line staffing level is maintained to address ongoing system support and minor enhancements. This is not adequate to address additional enhancement or legislative changes, not budgeted for.

Contract analysis/programming support are well suited to take on this additional workload.

B. BACKGROUND/HISTORY:

Department of Personnel Administration position (PY) justification is based on the ongoing volumes of workload. While the ITSD staffing requirements for peak workloads due to system enhancements, legislation and various demands are sporadic and often unpredictable. It is not unusual to require up to four to five analysis/programmers for two to three months and not needed again for some time. Therefore, it is not prudent to staff on a full time basis for significant peaks in workload due to system enhancements, reengineering or legislative requirements.

Department of General Services developed the California Multiple Award Schedule (CMAS) and Master Services Agreement (MSA) a few years ago which has helped to address state department's needs for workload peaks by the use of consulting services. The two contracts have been extremely successful in providing experienced analysis/programmers on an 'as needed' basis.

C. STATE LEVEL CONSIDERATIONS:

There are no State level considerations.

D. JUSTIFICATION:

In CalSTRS' Business Plan and in its Information Technology Strategic Plan, START is identified as a strategic and tactical project. START, and the Online System, are critical in the support of CalSTRS' Benefit and Services Delivery Plan. START and Online reliability and dependability rely on adequate and qualified analysis/programming staff.

While ITSD staff levels can provide ongoing system support and maintenance they are not enough to handle the additional peak demands encountered due to enhancements and small, but several, legislative changes received throughout the years. As a result, ITSD is unable to meet the deadlines of the user community.



E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Do Nothing:

Maintain current staffing levels and slip deadlines.

Hire State Employees:

Hire limited term state employees to perform analysis/programming for two to three month at a time to address peak workload demands.

Hire Contract Analysis/Programmers:

Utilize CMAS and/or MSA to hire contract analysis/programmers on an 'as needed' bases to address peak workload demands.

This alternative best meets CalSTRS requirements.

F. TIMETABLE:

Fiscal Year 1999/2000: BCP/Funding approval

Fiscal Year 2000/2001: Hire contract analysis/programmers on an 'as needed' basis.

G. RECOMMENDATION:

The recommended alternative is to augment Information Technology Services Division's budget to provide the funding necessary to continue to maintain the Online System/START plus meet the demands for enhancements, reengineering and legislative changes.

Note: Two PYs currently allocated to system support and maintenance will be redirected to:

1PY to support Email and Intranet Administration

1PY to support Emerging Technology research and development

**2000-01 BUDGET CHANGE PROPOSALS
BCP #14**

TITLE: Emerging Technology

BRANCH/OFFICE: Information & Financial Systems Branch
Information Technology Services Division

SUMMARY: This BCP requests funding for one Staff Information Systems Analyst, Specialist to assess current technology changes and industry trends with emerging technology. To accomplish this need, CalSTRS must have adequate skilled staff to explore new opportunities and lead research and development efforts.

TOTAL POSITIONS: 1

TOTAL COST: \$89,000 (\$79,700 permanent funding)
(\$ 9,300 one-time funding)



TITLE OF PROPOSED CHANGE: Emerging Technology

A. NATURE OF REQUEST:

As industry continues to improve the level of service to the public through the use of technology, our members grow to expect the same level of service from CalSTRS. This cannot be accomplished by 'business as usual'. CalSTRS must be proactive and keep pace with the industry.

To accomplish this CalSTRS must have staff who possess the knowledge, skills, and abilities to research the trends in technology and manage project development.

B. BACKGROUND/HISTORY:

CalSTRS traditional information technology (IT) staffing approach has been in support of maintaining the core business processes with little to no focus placed on research and development of the newer technologies. This places us in a reactive mode and often times behind industry and other public pension funds.

To address this same issue, many state departments have implemented research and development units. These units examine trends in the new technologies. They examine how successful similar business has been in utilizing such technology and they act as project manager to analyze and implement technology projects. Some examples of such departments and technology projects are:

<u>Department</u>	<u>Technology</u>
➤ Health & Welfare Data Center	Kiosk Project
➤ Teale Data Center	Geographic Information System
➤ Employment Development Department	Roseville Futures Lab
➤ Franchise Tax Board	Online Tax Return Filing (e-commerce)
➤ Department of General Services	Online Procurement (e-commerce)

C. STATE LEVEL CONSIDERATIONS:

There are no state level considerations.

D. JUSTIFICATION:

CalSTRS strategic direction is to improve communication and service to our members. To accomplish this we must explore new technology and take advantage of those which improve benefits and services. Technology will continue to change and become more and more accessible to our members. As such, this is not a short-term need but rather one that will become increasingly more important in the coming years.



To keep pace with industry and technology changes, CalSTRS must have adequate skilled staff to explore new opportunities and lead the development effort. This cannot be accomplished with the current skill and staffing levels.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Do Nothing:

Maintain the current staffing level and address new technology projects as the need arises.

Hire Consulting Services:

As new technology projects become known to CalSTRS, hire outside consulting services to manage and lead the project.

Augment Information Technology Services Division Staff:

Hire state employees with the knowledge, skills and abilities to research, analyze and implement emerging technology projects.

This alternative best meets the long-term needs of the department.

F. TIMETABLE:

Fiscal Year 1999/2000: Obtain BCP/funding approval

July 2000: Solicit and hire experienced staff.

G. RECOMMENDATION:

The recommended alternative is to augment ITSD staff by 1 PY in fiscal year 2000/2001 to research, analyze and implement emerging technologies for CalSTRS.

2000-01 BUDGET CHANGE PROPOSALS
BCP #15

TITLE: STRSNet Maintenance Augmentation

BRANCH/OFFICE: Information & Financial Systems Branch
Information Technology Services Division

SUMMARY: This BCP requests funding for one Staff Information Systems Analyst Specialist to support the STRSNet wide area network. Funding is also needed for on-going annual maintenance, license renewals, and technical support subscriptions.

TOTAL POSITIONS: 1

TOTAL COST: \$180,600 (\$180,600 permanent funding)



TITLE OF PROPOSED CHANGE: STRSNet Maintenance Augmentation

A. NATURE OF REQUEST:

STRSNet was created in 1996 by combining several autonomous networks into one enterprise-wide, centrally managed Local Area Network (LAN). In 1997, when CalSTRS' Public Service Office moved to a new site, STRSNet grew into a Wide Area Network (WAN). STRSNet is now comprised of eight file and print servers, supporting over 550 CalSTRS employees and is managed by the STRSNet staff of the Information Technology Services Division (ITSD).

As the STRSNet has grown and been upgraded, only the one time costs of each growth/improvement has been budgeted. On going costs such as annual maintenance, license renewals, and technical support subscriptions have not been budgeted. Similarly, staff resources have not grown with the expansion of the network and the workload associated with its maintenance and engineering. An additional PY is requested to accommodate that need.

B. BACKGROUND/HISTORY:

STRSNet network services benefit every CalSTRS employee by maintaining the physical infrastructure as well as managing the data resources stored on the network. The STRSNet infrastructure has been upgraded over the last two years, increasing its reliability. The on-going costs (\$20,000 annually) associated with the STRSNet infrastructure include:

- Annual maintenance on the Token Ring Hubs that provide network connectivity to every desktop;
- Annual license renewal fees for the Raptor Firewall software;
- Annual license renewal fees for the Novell NetWare network operating system that is employed on every desktop.

Support of the STRSNet network relies on staff education and access to the latest technical support. Of particular importance are the priority support agreements between CalSTRS and Microsoft, Novell and Bay Networks. These vendors' products comprise the bulk of technical support requirements within STRSNet. The mean time to resolve the more complex problems would radically increase without these support subscriptions. The annual cost for these support subscriptions is \$22,000.

The STRSNet servers and hubs will approach 3 years of age by the end of FY00/01. ITSD has established a strategy of refreshing its infrastructure components every 3 years, as technology ages and becomes obsolete in that timeframe. The cost to replace the oldest servers and the oldest hubs is approximately \$150,000. This BCP requests that ITSD be **annually** funded for 1/3 of this cost or \$51,000. Each year, ITSD will refresh the oldest 1/3 of the hardware, software and wiring hubs that comprise the bulk of the STRSNet infrastructure.

Finally, the expansion of the STRSNet to include MS Exchange Servers as the internal e-mail system (FY99/00) will result in an increased workload for the STRSNet staff. Services that were outsourced to the Teale Data Center via Officevision/VM subscriptions will now be rendered in-house. Those services include

- maintaining and administering the production servers for over 500 users;
- nightly backup of individual mail accounts;



- restoring lost data as requested;
- and an increasing demand for longer "up-time" on the network to accommodate mobile and remote users.

This request includes an additional PY (Staff ISA Specialist) to meet these increased support needs.

C. STATE LEVEL CONSIDERATIONS:

There are no State level considerations.

D. JUSTIFICATION:

This proposal is consistent with the department's strategic plans, both business and information technology. This proposal supports the objective of continuous improvement in the delivery of benefits and services. This proposal effectively improves the uptime for the STRSNet by continuing the on going maintenance of mission critical network components. And this proposal improves support services by making available critical troubleshooting information and by increasing the staff resources in support of the STRSNet.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

One alternative to this proposal would be to do nothing. ITSD would absorb the existing, on going maintenance costs within its current budget. To cover these departmental costs, ITSD would be forced to forego planned, division-specific expenditures (e.g., training ITSD staff, travel, and per diem costs, and buying ITSD workstation equipment). Given this alternative, ITSD would not create a new PY, but would absorb the increasing support workload with existing resources. Support services will suffer as staff attempt to maintain more complex systems for a longer workday, with the advent of the MS Exchange Servers.

Another alternative would be to shift the on going maintenance costs to Administration Branch, including these expenditures in the overall operating expenses of the department. Again, without additional resources, ITSD could not absorb the cost of an additional PY. The overall level of technical support services would suffer, and that will affect the productivity of the CalSTRS business units.

F. TIMETABLE:

Renew Current Licenses and Subscriptions	July - December, 2000
Procure Upgraded Hubs, Server	July-September, 2000
Install New Equipment	October, 2000
Advertise for New STRSNet Staff	July, 2000
Interview Potential Candidates	August, 2000
Hire new staff	August, 2000

2000-01 BUDGET CHANGE PROPOSALS
BCP #16

TITLE: Augment Staff for Electronic Mail Support

BRANCH/OFFICE: Information & Financial Systems Branch
Information Technology Services Division

SUMMARY: This BCP requests funding for one Associate Information Systems Analyst. CalSTRS is implementing a new electronic mail and scheduling system, Microsoft Exchange/Outlook, which is a LAN-based system operating locally in Microsoft's NT environment. Additional resources are needed to manage the system servers, infrastructure, and daily operations.

TOTAL POSITIONS: 1

TOTAL COST: \$72,700 (\$68,800 permanent funding)
(\$ 3,900 one-time funding)



TITLE OF PROPOSED CHANGE: Augment Staff for Electronic Mail Support

A. NATURE OF REQUEST:

This proposal would add 1 PY at the Associate Information Systems Analyst level to provide support for the Department's new electronic mail and scheduling system, Microsoft Exchange/Outlook. The new system will provide enhanced features, functionality and improved ease of use compared to what is currently provided by Office Vision.

Because Exchange/Outlook runs in a local NT environment (compared to the mainframe-based Office Vision), the implementation and support of the new system will require that CalSTRS staff learn new skills and absorb additional types of responsibilities that were formerly provided by Teale staff.

Use of electronic mail has proliferated in the business community over the last few years. Business entities and the general public have reached a level of expectation that they can communicate and do business over the Internet. Knowing this, many Divisions within the Department have already established separate Internet email accounts (as an alternative to Office Vision) with a variety of Internet Service Providers to be able to communicate with other state entities, banks and investment advisors, START developers, districts and county offices.

Not only is this a costly alternative (monthly subscription rates, modems, and phone line charges), but also poses risks to our network environment. Each additional modem connection increases the likelihood of a breach of network security and still requires some level of local support from the ITLs. Although some of the support needs are generally met with this arrangement, it will be more cost-effective and make better business sense to consolidate all the CalSTRS accounts into a centrally managed and supported email and scheduling system available to all staff.

B. BACKGROUND/HISTORY:

Office Vision, the electronic mail and scheduling system currently in use by the Department, is a mainframe-based system housed at Teale Data Center. Teale staff support the back end of the system and coordinate the daily operations and troubleshooting efforts with CalSTRS staff.

A feasibility study report was recently approved by Executive staff to replace Office Vision with Microsoft Exchange/Outlook as the Department's standard email and scheduling system. This new system replaces all the features and functionality of Office Vision, including maintaining a personal calendar, scheduling meetings, and the ability to send and receive both local and Internet-based email messages.

Unlike Office Vision, MS Exchange/Outlook is designed with an intuitive graphical user interface which makes it easier to learn and use, and the ability to easily send and receive attachments to email (as well as other enhanced features). However, the advantages of the



new system must also take into account that MS-Exchange is a LAN-based system which will operate locally in Microsoft's NT environment.

This new environment means a new set of skills and responsibilities for CalSTRS staff to be able to effectively support the new system. While the administration and support of Office Vision was provided primarily by Teale staff, administration and support of this new system will be maintained solely by CalSTRS staff.

Staffing for administration of the pilot phase of this project was accomplished by redirection of resources. A total of 36 staff participated in the pilot. However, the ongoing administration and support of the Department-wide system of nearly 500 users will require additional resources to help manage the system servers and infrastructure, support the daily operations including adding, deleting or changing user profiles, create online forms, troubleshoot problems and train the users.

C. STATE LEVEL CONSIDERATIONS:

There are no state level considerations.

D. JUSTIFICATION:

This proposal is consistent with the department's strategic plans, both business and information technology.

It supports STRS' business goals relating to the research and application of information technology to meet internal and external needs; the continuous improvement of the quality, effectiveness and efficiency of internal services; and the ability to anticipate and respond to external challenges and opportunities.

E. ANALYSIS OF FEASIBLE ALTERNATIVES:

There are two alternatives to this proposal:

Alternative 1: Implement new system with existing resources.

Without adequate staffing, this project and other IT projects would be adversely impacted. Electronic mail has served as the backbone of communications within the Department for many years. It is essential to continue to provide the level of service that staff rely on to do their day-to-day jobs. Because of the increased responsibilities and new skillsets required of the new system, additional resources will be required to maintain that level of service.

In addition, as the Department moves forward with new technologies it will become more imperative to effectively support a modern, effective



communication infrastructure to be able to communicate with other state agencies, business entities and the public.

Alternative 2: Outsource some of the support for the new system.

Outsourcing support can be costly. Hourly rates for this type of service range from \$90 - \$120/hour. In addition, there are advantages to having departmental staff who are familiar with the business, technical, and user environments provide this type of service instead of outsourcing the support.

F. TIMETABLE:

1.	Purchase new equipment, software	7/01/00
2.	Advertise for new position	7/01/00
3.	Schedule and hold interviews	7/15/00
4.	Hire the most qualified candidate	8/01/00
5.	Identify/schedule training	8/01/00
6.	Coordinate roles and responsibilities of project with new and existing staff	9/01/00

G. RECOMMENDATION:

The proposed solution, adding one PY at the Associate Information Systems Analyst classification to support MS-Exchange/Outlook, has the following benefits:

- Continue to maintain the level of support provided with our current email/scheduling system;
- Explore the use of new features and functionality within the new system;
- Determine what other projects currently in progress (e.g., imaging and the online timesheet projects) can benefit from the new NT server environment;
- Advantage of using departmental staff over outsourcing support is that inhouse staff generally have a better understanding of the business, technical and user environments.

2000-01 BUDGET CHANGE PROPOSALS
BCP #17

TITLE: Establish One Full-Time Exempt Actuary Position

BRANCH/OFFICE: External Affairs & Program Development Branch
External Affairs Branch Management

SUMMARY: This BCP requests funding to establish an Exempt Actuary position to provide actuarial support to the Teachers' Retirement Board, Chief Executive Officer, and other Branch Deputy Chief Executive Officers. This on-staff individual will monitor the information provided by consulting actuaries and be available to provide timely expertise.

TOTAL POSITIONS: 1

TOTAL COST: \$200,000 (\$186,000 permanent funding)
(\$ 14,000 one-time funding)



TITLE OF PROPOSED CHANGE: Establish One Full-Time Exempt Actuary Position.

A. NATURE OF REQUEST:

The External Affairs & Program Development (EAPD) Branch requests to establish a permanent, full-time Exempt Actuary position to provide in-house professional actuarial support. At the CalSTRS May 1999 Board meeting, the Board authorized staff to establish the position and employ one full-time Exempt Actuary to assist the Board with meeting its fiduciary responsibilities.

B. BACKGROUND/HISTORY:

CalSTRS was created in 1913 and operates within the California Education Code known as the State Teachers' Retirement Law. Members of CalSTRS include California public school teachers from kindergarten through community college and certain other employees of the public school system and the State of California.

Ultimate authority resides in the twelve-member Board that sets policy and establishes rules. The Board adopts the actuarial assumptions and various rates and factors recommended by the consulting actuary. The Board adopts the experience analysis and valuation and utilizes other special reports prepared by the consulting actuary. CalSTRS has utilized services from professional actuarial contractors for many years. The primary contact between CalSTRS and the consulting actuary is through the External Affairs & Program Development Branch. Basic maintenance, statistical analysis, factor and table maintenance, and nontechnical aspects of CalSTRS' actuarial needs are performed by, or under the direction of this Branch.

The CalSTRS funding level has undergone numerous changes and shifts since 1913 where contract actuarial services have proven to be sufficient. Recently, the Board has expressed concerns that without on-staff expertise to monitor the amount of information provided by consulting actuaries, the Board may not be fully apprised of all the ramifications associated with funding of CalSTRS. Without an on-staff actuary, the Board may not receive the responsiveness and funding knowledge needed to effectively address the numerous alternative actuarial assumptions and related issues presented at Board meetings.

C. STATE LEVEL CONSIDERATIONS:

Per Education Code Section 22955 (Benefits and Full Funding) the recommendation of the actuary may affect the rate of the General Fund contribution to the CalSTRS when there is an unfunded obligation or normal cost deficit.



D. JUSTIFICATION:

This Budget Change Proposal is consistent with CalSTRS' goals and objectives to: expand and improve upon benefits; continuously improve the delivery of benefits and services; research and apply information technology which meets or exceeds internal and external needs; and create an organizational structure and environment that encourages professionalism, productivity, innovation and teamwork.

Generally, the consulting actuary under contract provides a variety of technical and complex research and analyses of pension plan design; identification of pension plan design trends, short-term and/or long-term impact on CalSTRS funding; and assistance to CalSTRS staff in the design and implementation of any Board-approved plan design change. Acquiring an on-staff actuary will help to ensure that the information presented is accurate and represents CalSTRS' best interests.

The on-staff Exempt Actuary will provide direct support to internal and external professional staff on a wide range of actuarial issues and projects and may be required to make formal presentations to the Teachers' Retirement Board on recommended actuarial assumptions, and respond to related questions. The Exempt Actuary can assist the Board with meeting its fiduciary responsibilities by ensuring that the products and services secured by outside contractors are designed to promote a secure retirement system. Because the Exempt Actuary will be on-staff, urgent information can be obtained in a short timeframe, especially during the Legislative Session.

The Board recently required staff to obtain services of a second consulting actuary to perform a single purpose study. This study was performed on the current consulting actuary data because of conflicting information provided by the current consulting actuary at two points in time on the same subject proposal. This type of conflicting information has pointed out to the Board the need for professional internal assistance to interpret and monitor results from other entities. The Board prefers this professional assistance be provided on-staff to ensure they meet their fiduciary responsibilities regarding matters of funding the CalSTRS. For this reason the need for an internal on-staff Exempt Actuary is necessary.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Continue with existing staffing level:

Existing staff are highly skilled and knowledgeable about the CalSTRS Program. This proposal merely enhances the existing skill level by providing specific actuarial expertise. Because CalSTRS has reached full funding status, the TRB must ensure that future actuarial data are accurate to enable their ability to make fiduciary decisions.



2. Contract additional consulting actuary:

Adding an additional outside consulting actuary may provide some actuarial relief, but would not provide the added responsiveness and acquired System wide knowledge that would be available from an on-staff actuary.

3. Establish an on-staff Exempt Actuary:

This would provide a full-time Exempt Actuary that would be more responsive to the TRB and have familiarity with the System and all its unique features. In addition, as the fund continues to grow and member benefits become more diverse, this alternative would allow the Board to better determine funding needs and meet its fiduciary responsibility.

F. TIMETABLE:

Establish one full-time Exempt Actuary on July 1, 2000.

G. RECOMMENDATION:

Implement Alternative 3 by establishing and filling one permanent, full-time Exempt Actuary position on the effective BCP date of July 1, 2000.

2000-01 BUDGET CHANGE PROPOSALS
BCP #18

TITLE: Permanent Funding For One Associate Information Systems Analyst Position and CalSTRS' Website

BRANCH/OFFICE: External Affairs and Program Development Branch
Legislation, Planning & Program Development Division

SUMMARY: This BCP requests funding for one AISA and funding to augment CalSTRS' website maintenance. Web based activity is on a continuous growth path. The AISA will work with and assist CalSTRS' webmaster to provide website maintenance and meet the growing needs of enhancing the site. The position will also support the current Information Technology Liaison (ITL) with hardware and software services for EAPD Branch staff. Additional permanent operating funds for website maintenance are for software and hardware upgrades.

TOTAL POSITIONS: 1

TOTAL COST: \$110,800 (\$99,000 permanent funding)
(\$11,800 one-time funding)



TITLE OF PROPOSED CHANGE: Permanent Funding For 1 AISA Position
& CalSTRS' Website

A. NATURE OF REQUEST:

The goals of the Teachers' Retirement Board (TRB), the CalSTRS Business Plan, and the mission statements of the External Affairs and Program Development (EAPD) Branch Legislation, Planning and Program Development (LPPD) Division, and Technology Solutions Unit (TSU) are consistent in expressing a commitment to being recognized as an innovative and responsive provider of benefits and services to all customers. Establishing an Associate Information Systems Analyst (AISA) position is integral to accomplishing that commitment and mission.

In addition, the Governor directed that all state agencies use the Internet to build a network of communication. The use of Websites has become a standard business practice by both the private and public sector. Over 200 sites are being offered by California State agencies, thereby increasing their communication and outreach capabilities. CalSTRS' website enables the System to carry out its goal to expand the delivery of benefits and services to its customers.

If this BCP is approved, the AISA will serve as backup support for CalSTRS' webmaster and will support the branch Information Technology Liaisons (ITL's). When the TSU was first established, one AISA was sufficient to efficiently support the EAPD Branch's needs. However, the increased workload, current staff resources can not provide the current support needed to amend, update and maintain the CalSTRS Web site. The proposed AISA will provide the higher level of support necessary to maintain the CalSTRS website and all other ITL services for the EAPD Branch.

The AISA, in addition to providing electronic information processing systems support for personal computer and Macintosh environments, will support the CalSTRS Webmaster in maintaining and enhancing the services provided by the CalSTRS website which is an integral part of CalSTRS' outreach medium for all members and other customers.

The CalSTRS Website has grown significantly since its inception, which requires additional staff to continually maintain and update the numerous Web page content. Updates include, but are not limited to, TRB Agendas, legislation (including links to the California State Legislature), Cash Balance Benefit Program, Defined Benefit Program, mandatory Social Security, health benefits, 403 (B) and Home Loan programs, as well as federal issues. Interactive forms and benefit applications are also a part of the website.

Although the current CalSTRS Website contains a significant amount of information, it will gradually grow to provide more specific outreach information from every branch and division within the System. This AISA position will allow CalSTRS to provide the most innovative and up-to-date information to all of CalSTRS' internal and external customers. New Website content and features, such as the use of real audio and video are continually being researched. These features will enable members and employers to listen to Teletalk messages, recorded messages from the CEO and Board chair, and view at their leisure



the Social Security Offset video and any other future training and informational videos produced by CalSTRS. Funding for these proposed features will provide a professional and dynamic website that will improve and maximize the delivery of benefits and services to all of CalSTRS' clients.

B. BACKGROUND/HISTORY:

The size and structure of the EAPD Branch has undergone several changes over the past three years due to the myriad State and Federal legislative proposals, monitoring the progress of Legislative implementation efforts, an increase in the number of CB Benefit Program participants and expansion of the CalSTRS Website and increased marketing of CalSTRS' products.

In general, the EAPD Branch has increased its involvement and focus in seeking benefit enhancements and new programs for California educators and their beneficiaries. The Branch also serves as the primary representative on state and federal legislative and regulatory issues. The state legislative and actuarial requirements continue to involve increasingly complex and highly political and controversial issues that must be addressed (e.g., implementation of federal legislation, alternative methods of distribution of retirement benefits, ancillary benefits, divestment legislation, funding issues, and corporate governance). These issues have generated greater interest from California's educators, the media and CalSTRS' constituent groups.

The TSU currently includes two Associate Information Systems Analysts and one Student Assistant. Staff provides information technology services for the EAPD Branch and are responsible for maintaining existing hardware and software for IBM compatible and Macintosh computers and printers. Staff also configure and upgrade software as appropriate. Technology Solutions staff, specifically the Webmaster, designs and maintains the CalSTRS Website to provide benefit program information to CalSTRS' customers.

Furthermore, the CalSTRS' Website continues to make more information available to members and includes interactive features, both of which require increased staff time. Because of these activities, the existing Technology Solution staff have worked overtime to keep up with the increased technology support needs of the Branch, the CB Benefit Program, and the CalSTRS' website. All of this underscores the need for additional technical support staff.

C. STATE LEVEL CONSIDERATIONS:



This BCP is consistent with the following CalSTRS goals, objectives, business plan and policies to:

- Expand and improve upon benefits, continuously improve the delivery of benefits and services; research and apply information technology which meets or exceeds internal and external needs; and create an organizational structure and environment that encourages professionalism, productivity, innovation and teamwork;
- Support EAPD's Technology Solutions function to: conduct research, develop and evaluate technology issues, provide recommendations on innovative hardware and software, and continually support the EAPD Branch technology needs and resources.

In addition, the California Pension Protection Act (Proposition 162) granted the TRB plenary authority over administrative decisions of the System in a manner that will assure prompt delivery of benefits and related services to members and their beneficiaries.

There is no impact on other state departments or agencies.

D. JUSTIFICATION:

Permanent Full-time AISA Position:

The proposed AISA position would provide analytical and research support to the CalSTRS website administrator on a variety of projects relative to website maintenance and development. Specifically, the position would assist in developing design, consistency, and currency of information on the CalSTRS website.

This position will also provide much needed information technology services for the EAPD Branch. The position will be responsible for maintaining existing hardware for IBM compatible and Macintosh computers and printers and configure and upgrade software as appropriate. Other responsibilities will include participating in internal and external technology and related methodologies that require significant modifications of existing CalSTRS' business processes, and assist with research to address changes in technology that could improve or dramatically change the EAPD Branch's and CalSTRS' operational processes.

Specifically, some of the responsibilities the AISA will assume are:

- Serve as primary contact for the acquisition of personal computer technology;
- Work closely with managers, supervisors and Business Services staff to coordinate procurement of personal computer technology (hardware & software);
- Maintain equipment inventory;
- Install/develop/modify software and hardware applications;



- Provide for management and information security at the division level by checking for viruses on PCs and diskettes, educate and monitor staff on information security issues, and monitor software licensing and installations.

In addition, the AISA will be required to attend numerous high-end PC user seminars and training sessions to support and expand CalSTRS' technology. These functions will require a higher rate of funding to support the advanced level of training and potential frequency of travel, both in and out of state.

Permanent Funding for the CalSTRS Website:

Permanent funding for the CalSTRS website will allow CalSTRS to provide the most innovative and up-to-date information to all of CalSTRS' customers. New Website content and features are continually being reviewed, such as the use of real audio streamlining multimedia content for Teletalk messages and real video for Financial Educational Program, 403(b) and CB Benefit Program presentations and videos. In addition, real video will allow members and employers to view the Social Security Offset video and any other future training and informational videos produced by CalSTRS via the World Wide Web.

The use of streaming media capabilities on Internet web sites has become the standard method for the delivery of audio and video presentations via the World Wide Web by both the public and private sector. The California Assembly and Senate Home Pages broadcast live committee hearings, floor sessions, and press conferences over the Internet. In addition, many news stations' web sites, such as those of ESPN, CNN, ABC News, and Fox have live news broadcasts. Some of the benefits of streaming media capabilities to internal and external customers via the CalSTRS Web page would allow CalSTRS to include, but not be limited to, features such as:

- Online viewing of the mandatory Social Security Offset video and other CalSTRS video productions;
- Online viewing of CalSTRS' Employer Training video(s) and seminar(s);
- Online viewing of CalSTRS' Member Training video(s) and seminar(s);
- Online viewing of CalSTRS' Mid-Career counseling sessions;
- Online audio of Teletalk messages and other CalSTRS audio productions;
- Live broadcast of the Teachers' Retirement Board meetings.

These proposed multi-media content features will add to the overall professional and dynamic website that will improve and maximize the delivery of benefits and services to all of CalSTRS' clients.

Currently, CalSTRS' Member Handbook is available on-line. With the additional support established by this BCP, a complete selection of CalSTRS' publications (e.g., CAFR, Bulletin(s), Teachers' Retirement Board agenda, interactive beneficiary forms and benefit applications, etc.) can be provided



on the website. With these upgrades, more website space will be required to adequately deliver these services and products. The need for "web space" will increase as additional web content features are added. In addition, CalSTRS' Home Page Content Redesign Team is continually researching and developing new and innovative content and updates to the Website.

It is critical to secure permanent funding beginning in FY 2000/01 to be able to continue the website maintenance and enhancements. The CalSTRS Website is currently being funded by using resources allocated for other purposes (i.e., OE & E, salary savings, training, etc.). Funds are also required for research and development to provide enhanced services over the World Wide Web. Maintenance includes training and installing new hardware and software and upgrading existing hardware and software, as well as trouble shooting.

The CalSTRS Website supports the CalSTRS Business Plan goals of delivering information and services in an alternative and cost efficient manner.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Continue existing staffing level and maintain the CalSTRS website in its current form without permanent funding enhancements: This alternative would have a severe, negative impact on CalSTRS' ability to deliver information and services to our customers via the Internet. Routine duties would not be completed in a timely manner and the EAPD staff would be forced to operate in a reactive manner rather than taking a proactive approach. This alternative does not allow for providing increased levels of service, products and information (e.g. beneficiary forms and applications, real audio and video presentations, etc.)
2. Eliminate the CalSTRS website: Eliminating the CalSTRS website would be inconsistent with the CalSTRS Business Plan goals of using technology to provide information and services. In addition, the Governor has recently indicated that all State agencies should provide information and services via their websites.
3. Authorize Overtime: Prolonged use of overtime can be counterproductive, especially since excessive workloads may result in delays in product delivery. Past experience shows that working extra hours adds undue stress and output tends to drop when staff are tired and/or unable to manage outside obligations (e.g., childcare, etc.). It is the policy of CalSTRS' to keep overtime at a minimum, require manager approval and to apply overtime uniformly and equitably to all employees.
4. Use Temporary Help: The TSU already uses the services of a student assistant who is able to work intermittently during the school term and summer months. Specifically, one student works part time during school and full-time during the summer. A student assistant's knowledge, expertise and experiences are limited. Duties are specific to special projects requiring extensive



research and data gathering. Use of a student assistant does not provide the full-time resources needed to provide analytical, research and technology services. It would not be conducive for the Technology Solutions function to attempt to function with intermittent help on projects designed for full-time staff.

5. Establish and fill one Associate Information Systems Analyst (AISA) position: The alternative provides analytical and research support to the CalSTRS website administrator on a variety of projects relative to website maintenance and development. Establishing this position would enable the TSU to design and maintain information on the CalSTRS website more efficiently.
6. Establish permanent funding for CalSTRS' website development and enhancements: This alternative provides for resources to add to the functionality and usefulness of the CalSTRS website. A dedicated budget, plus additional features, services and content can be implemented to increase the information and benefits to CalSTRS' stakeholders.

F. RECOMMENDATION:

Implement Alternatives 5 and 6 by establishing and filling one permanent, full-time Associate Information Systems Analyst position and establishing permanent funding to update and maintain the CalSTRS website.

G. TIMETABLE:

Establish and fill an Associate Information Systems Analyst position on a permanent, full-time basis and provide permanent funding for the CalSTRS website effective July 1, 2000.

2000-01 BUDGET CHANGE PROPOSALS
BCP #19

TITLE: Augment One Office Technician (Typing) Position

BRANCH/OFFICE: External Affairs and Program Development Branch
Legislation, Planning & Program Development Division

SUMMARY: This BCP requests funding for one Office Technician to provide secretarial support for the new Deputy Chief of the Legislation, Planning & Program Development Division. The former Deputy Chief of this division was reclassified to an Exempt position and the secretary was shifted to exclusively support the new Exempt position. Consequently, a new need was created for secretarial support in the LPPD Division.

TOTAL POSITIONS: 1

TOTAL COST: \$58,200 (\$46,400 permanent funding)
(\$11,800 one-time funding)



TITLE OF PROPOSED CHANGE:

Augment One Office Technician (T) Position In
The Legislation, Planning & Program Dev. Div.

A. NATURE OF REQUEST:

The External Affairs & Program Development (EAPD) Branch requests approval to establish a permanent, full-time Office Technician (OT) position to provide direct secretarial support to the Chief, Legislation, Planning & Program Development (LPPD) Division and the Division's professional and technical staff.

Except for utilizing student assistants, secretarial support is either being absorbed by LPPD professional staff, or by the managers soliciting help from other divisions within the EAPD Branch or from the Branch DCEO's secretary. This situation results in an excessive workload and places undue stress on the Branch's clerical support staff.

B. BACKGROUND/HISTORY:

The Teachers' Retirement Board approved the reclassification of the former GAPD Branch Deputy Chief Executive Officer (DCEO), to an exempt position, Chief External Affairs Officer (CEAO) effective December 1, 1998. The CEAO directs various programs within the EAPD Branch (formerly known as the Governmental Affairs and Program Development Branch), including any future health benefits plan for CalSTRS' members. This position also acts as the chief legislative advocate on federal issues, which requires numerous meetings with high level congressional and White House staff in Washington D.C. throughout the year. Concurrent with the appointment of the CEAO, a new DCEO was named to oversee the EAPD Branch.

After the CEAO was appointed, LPPD Division's OT support was absorbed by the Chief External Affairs Officer to offset the increased workload placed upon her to conduct a Health Benefit Study, monitor federal legislation that will affect CalSTRS and help prevent the enactment of mandatory social security coverage on all new CalSTRS' members. This repositioning of the OT position alleviated the additional workload as well as provided administrative and clerical support for the 12-member Teachers' Retirement Board, the Chief Executive Officer and Executive Office.

C. STATE LEVEL CONSIDERATIONS:

This BCP is consistent with CalSTRS' goals and objectives to: expand and improve upon benefits; continuously improve the delivery of benefits and services; research and apply information technology which meets or exceeds internal and external needs; and create an organizational structure and environment that encourages professionalism, productivity, innovation and teamwork.



D. JUSTIFICATION:

The OT position will provide direct secretarial support to LPPD Division staff consisting of Legislation, Planning and Research, Cash Balance Benefit Program, Actuarial Services, and Product Integration and Technology Solutions. Because clerical support was significantly reduced in the recent past the need to establish the OT position is critical. The position will be located in the LPPD Division, but will also provide the needed administrative assistance and backup, as appropriate to other Divisions.

With the additional support of an OT, the analytical staff in the LPPD Division will more efficiently provide policy advice to the Branch DCEO, Chief External Affairs Officer, Chief Executive Officer, and the Teachers' Retirement Board on matters related to the practicality and feasibility of proposed plan design changes and legislative changes. In addition, LPPD will be able to continue to efficiently administer the CB Benefit Program with a sustained focus on the underlying philosophy consistent with the goals and objectives of the System in its effort to enhance benefits to its program members, participants, and beneficiaries,

Duties for this level of support are consistent with the requirements outlined in the SPB job specifications and are identified in the duty statement provided.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

1. Continue the existing staffing levels

This alternative would result in severe negative impact to LPPD professional and technical staff, who currently must rely on the EAPD Branch DCEO's secretary for clerical support. Routine duties and/or assignments would not be completed in a timely manner and LPPD would have to operate in a reactive rather than proactive fashion. That would not be cost efficient for the Branch or a practical use of time to continue to rely on staff resources that have been allocated full time to support other functions within the Branch.

2. Work Overtime

There are already certain phases in the EAPD Branch operation that necessitates overtime for legislative staff, particularly the Branch DCEO's secretary who is currently providing clerical support for the LPPD Division staff (e.g., during the months of February, March, April, and May when legislative bills are introduced and policy and fiscal committee hearings are scheduled, and again during the enrollment of bills during the months of July, August and September). Results gained with overtime tend to be short-lived. After working 50-hour weeks, productivity tends to fall back down to what would normally be achieved in a standard 40-hour week. Past experience shows that output tends to drop when staff are tired and/or unable to manage personal obligations (i.e., childcare, etc.) outside of the office because of working excessive hours. Prolonged use of overtime also can be counterproductive when the workload falls on higher level staff.



3. Hire Temporary Help

Student Assistants (SA's) are able to work intermittently during the school term and full time during the summer months, but can not support the full time functions required by the LPPD operation. In addition, an SA's typical tasks should be commensurate with their related field of study. An SA should work directly with professional level staff. Although some clerical support may be assigned, clerical support is not consistent with the State Personnel Board's specified duties identified for Student Assistants, and this type of appointment is not intended for permanent employment status. The EAPD Branch already employs student help to assist in the legislative, technology and CB Benefit Program. It would not be cost effective for the LPPD operation and the CB Benefit Program to continue to function with intermittent help, which restricts the amount of clerical support that can be performed.

4. Establish and fill one OT position. This alternative would support the LPPD operation under the EAPD Branch effective July 1, 2000. The position would be located in the LPPD Division and provide necessary permanent, full-time clerical support to the Division Chief and other professional staff for the day-to-day activities of the LPPD operations.

F. TIMETABLE:

Establish the OT position on a permanent, full-time basis effective July 1, 2000.

G. RECOMMENDATION:

Implement Alternative 4 by establishing and filling one permanent, full-time Office Technician (T) position on the effective BCP date of July 1, 2000, to provide clerical support for the LPPD Division within the EAPD Branch.

2000-01 BUDGET CHANGE PROPOSALS
BCP #20

TITLE: Establish One Full-Time Program Technician II Position

BRANCH/OFFICE: External Affairs & Program Development Branch
Legislation, Planning & Program Development Division

SUMMARY: This BCP requests funding for one Program Technician II position to support the Cash Balance Benefit Program. Participant enrollment has grown from an initial 495 in July 1997 to 5,750 in June 1999 and contributions from \$151,000 to over \$4.0 million in the same time period. An additional para-professional staffing resource is needed to maintain customer service levels.

TOTAL POSITIONS: 1

TOTAL COST: \$58,200 (\$46,400 permanent funding)
(\$11,800 one-time funding)



TITLE OF PROPOSED CHANGE:

Establish One Full-Time Program Technician II
Position

A. NATURE OF REQUEST:

Establishing one PT II position to support the Legislation, Planning & Program Development (LPPD) Division is integral to accomplishing CalSTRS' commitment to develop and provide benefits and services to all clients and to keep up with the increased workload for LPPD staff as more employers elect to offer the Cash Balance (CB) Benefit Program for their eligible employees. It is estimated that the eligible population for the CB Benefit Program is 87,000 and CalSTRS' goal is to add 3,000 participants every year for the next four years. To achieve this goal, CalSTRS' marketing program has targeted 18 counties and 3 independent districts that have a population of about 24,000 employees who are eligible for the CB Benefit Program.

CalSTRS currently administers a CB Benefit Program designed to meet the retirement needs of educators hired to work less than 50% of the full-time equivalent for the position. The CB Benefit Program has experienced considerable growth over the past two years. On July 1, 1997, the Program's fund had approximately \$151,000. The Program had two employers in two counties reporting contributions for 495 participants. As of June 1, 1999, current assessment levels indicate that eighteen employers in ten counties are actively reporting a total of 5,750 CB Benefit Program participants, and the fund has received over \$4.0 million in contributions.

Based on previous program experience, it is estimated that anticipated election will produce 1,300 or more contributing participants by the end of June. This will place the CB Benefit Program well over the goal of 6,500 participants for the 1998/99 FY. Existing staff have worked overtime to keep up with the increasing workload. The anticipated continued growth in participant enrollment will only exacerbate the staffing resource shortage.

This proposed Program Technician II (PT II) will work under the direction of the Chief, Legislation, Planning and Program Development (LPPD) Division, in the CB Benefit Program Unit. The position will be responsible for performing the routine technical tasks associated with the CB Benefit Program, such as monitoring contribution and statistical data to ensure information appends to the database in an accurate and timely manner. In addition, the PT II will be required to review and determine CB benefit eligibility based on statutory provisions and policies regarding the Program's benefits. The proposed PT II will also be responsible for implementing updated procedures developed by the analysts working on the CB Benefit Program database who will subsequently train seasonals and student assistants in those processes.



B. BACKGROUND/HISTORY:

Prior to January 1, 1999, CalSTRS maintained separate trust funds for the assets of the Defined Benefit (DB) Program and the CB Benefit Program. Administrative expenses for each plan were separately budgeted and benefits were paid from each plan's fund. Effective January 1, 1999, Chapter 1048, Statutes of 1998, (SB 2085) merged the CB Fund with the Teachers' Retirement Fund. The result is a single trust fund, and two distinct benefit structures - the CB Benefit Program (formerly known and referred to as the Cash Balance Plan) for eligible part-time employees; and the DB Program for all employees who perform creditable service. The two benefit structures together comprise a single plan that is known as the "State Teachers' Retirement Plan." The DB Program is set forth in Part 13 of the Education Code and the CB Benefit Program is in Part 14. Together the two comprise the Teachers' Retirement Law (TRL).

With the establishment of the new CB Benefit Program, additional staff resources were authorized by the Teachers' Retirement Board (TRB) to administer the program. In October of 1995, a CB Benefit Program Unit was formed and was comprised of one Career Executive Assignment, Level II (CEA II), one Staff Services Manager I (SSM I), two Associate Governmental Program Analysts (AGPAs), one Assistant Information Systems Analyst (AISA), and one Office Technician (OT) for a total staff of six. As the program evolved from the implementation phase to the operational phase, the staffing needs significantly changed. In July of 1996, the AISA position was downgraded to the MST level to provide needed technical assistance in the reporting aspect of the program and to assist employers.

The CB Benefit Program staff currently consists of : two-AGPA's, and one PT II for a total staff of three.

C. STATE LEVEL CONSIDERATIONS:

This BCP is consistent with CalSTRS' goals, objectives, business plans, and policies to expand and improve upon benefits; continually improve the delivery of benefits and services; and maximize the level of benefits and services within available funding. The BCP is also consistent with the EAPD Branch mission to "... build the foundation for CalSTRS to be recognized as an innovative and responsive provider of benefits and services to all stakeholders."

In addition, the California Pension Protection Act (Proposition 162) grants the TRB plenary authority over administrative decisions of the System in a manner that will assure prompt delivery of benefits and related services to members and their beneficiaries. There is no impact on other state departments.

D. JUSTIFICATION:



As acknowledged under Section A, Nature of Request, this proposal would support CalSTRS' vision statement to commit to lifetime security and service that meets the changing needs of California's educators. It is CalSTRS' goal to continuously improve the delivery of benefits and services, while providing the maximum level of benefits and services within available funding supported by an organizational environment that is professional, productive, and innovative.

As the CB Benefit Program has grown and more employers continue to offer the program to their employees, additional resources are needed to adequately maintain the appropriate level of support needed to administer the Program. Between the period of February 1997 and June of 1999 the Program participation base grew from 1,550 participants to 5,750 (**an increase of 331%**). In addition, the number of individual employers offering the Program increased from 8 to 19 (**an increase of 125%**); and the number of participating counties grew from 6 to 12 (**an increase of 100%**). CalSTRS expects the participation levels to continue and reach 6,500 participants by June 30, 1999.

The CB Benefit Program is beginning its third year of operation and participants are requesting benefit payments. In addition, with the increase in participation, disbursement of benefits and other reporting functions, additional resources are needed to handle the additional workload.

The approval of this BCP will provide continued permanent support for the CB Benefit Program for the 2000/01 fiscal year and thereafter. If this request for the PT II position is denied, the LPPD will not have sufficient staff resources to maintain adequate customer services for participants and employers in the CB Benefit Program.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1: Utilize Existing Resource

Existing staff already work extra time to keep up with the current workload. The expected increase in participant enrollment would have the following results:

- Employers would not receive the level of customer service that is necessary to successfully administer the CB Benefit Program;
- CalSTRS could not adequately address reporting errors that could compromise the integrity of employer and employee data;
- There will be a decline in CalSTRS' ability to provide workshops that are necessary for assisting employers on the technical aspects of the CB Benefit Program; and
- The benefit eligibility and payment processes would be delayed.

Alternative 2: Hire Temporary Help



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- Student Assistants are able to work intermittently during the school year and full-time during the summer months, but cannot support the full-time functions required by the CB Benefit Program operation. Typically, temporary help staff do not possess the knowledge and abilities to perform at the level required. In addition, the use of temporary help would require extensive on-going training and development by the CB Benefit Program analytical staff, which would detract from completion of their normal duties and responsibilities and would not be cost efficient to State Government.

Alternative 3: Work Overtime

- There are already specific issues that necessitate a certain amount of overtime for the LPPD staff. Current analytical staff has had to absorb the additional workload associated with the increase in participation levels. Prolonged use of overtime can be counterproductive and costly, especially since working extra hours adds undue stress.

Alternative 4: Establish One Permanent PT II position

- The responsibilities of the reporting and benefit payment processes are consistent with the job specifications for this staff level. Once trained, the additional PT II will enable CalSTRS' to provide an adequate level of customer service that meets the needs of growing participation levels, and is essential for the on-going support and success of the CB Benefit Program.

F. RECOMMENDATION:

Adopt and establish 1 permanent, full-time Program Technician II position effective on July 1, 2000.

G. TIMETABLE:

Establish and fill one Program Technician II position on a permanent, full-time basis effective July 1, 2000.

2000-01 BUDGET CHANGE PROPOSALS
BCP #21A

TITLE: Corporate Imaging Project

BRANCH/OFFICE: Information & Financial Systems Branch
Information Technology Services Division

SUMMARY: This BCP requests funding to develop and begin implementing an imaging and workflow technology at CalSTRS. Funding is for the purchase and installation of hardware, software, and services to establish the infrastructure, as well as services and/or equipment to convert a number of predetermined existing member documents. The Corporate Imaging Project is scheduled as a two-year effort, of which this funding request is for one year. Estimated two-year costs are \$4.4 million. Expected benefits include: improved customer service, increased processing efficiency, future personnel cost avoidance, and improved disaster recovery.

TOTAL POSITIONS: 0

TOTAL COST: \$2,556,700 (\$ 472,400 permanent funding)
(\$2,084,300 one-time funding)



TITLE OF PROPOSED CHANGE: Corporate Imaging Project

A. NATURE OF REQUEST:

An organizational emphasis is placed on meeting and exceeding the levels of service to CalSTRS members. This is demonstrated by the processing improvements and technology implementations CalSTRS has elected to implement throughout the years such as the automated Teletalk phone system, the Computer Assisted Retrieval (CAR) system for member documents, the redesign and conversion to an improved online system through the State Teachers' Automation Redesign Team (START) project, the future Computer telephone Integration (CTI) implementation, as well as the current and planned internet and Web site applications. Imaging and workflow technology will further enhance the CalSTRS ability to increase processing efficiency and provide better service to the member community through:

- Increased processing efficiency
- Improved customer service
- Personnel cost avoidance
- Improved disaster recovery
- Reduction of lost files and documents
- Increased management and control over work processes
- Increased availability of documents within CalSTRS
- Improved infrastructure for CalSTRS future

B. BACKGROUND/HISTORY:

The Client Benefits & Services Branch processes member applications for service retirement, disability services, family member applications for survivor benefits, and all associated services required to maintain an accurate and up-to-date member account. Additionally, CB&S Branch is responsible for the majority of public contact with CalSTRS' members. Currently, 206 staff are allocated to support the functions of the CB&S Branch, which includes the Service Retirements Division, the Disability and Survivor Benefits Division, and the Services Division.

CB&S Branch statistics include:

- 225,000 incoming documents processed on a yearly basis
- 300,000 internal documents created on a yearly basis
- 90,000 member file/document retrievals on a yearly basis

CB&S Branch staff process incoming documents in paper form as received from members and other entities. Many manual processing steps occur within the realm of normal processing activities,



including routing, counting, logging, tracking, and delivering as necessary. At the conclusion of their processing cycle, documents are routed to the Central Records Unit for inclusion in member files.

Member files are maintained in three separate formats today:

- Approximately 9,300 disability and family benefit files are maintained in paper format.
- Approximately 13.5 million member documents reside in microfilm 'jackets'
- Approximately 6.5 million documents reside on microfilm rolls, of these
 - 3 million documents are indexed and maintained within a Computer Assisted Retrieval (CAR) system
 - 3.5 million are not indexed and are housed in drawer containers.

The three separate formats for maintenance of member file documents are a result of technological implementations employed throughout the years to alleviate inefficiencies and processing bottlenecks as the CalSTRS member community continued to grow.

Similar Technology Implementations:

At the beginning of the initial feasibility study, staff members from the Client Benefits & Services Branch and the Information & Financial Services Branch were provided the opportunity to visit five pension funds with imaging and workflow technology implemented. The sites were chosen based on similar processing definitions as well as differing technology vendor solutions.

The pension fund sites visited:

Arkansas Teacher Retirement System
Retirement Systems of Alabama
North Carolina Department of the State Treasurer
Teacher Retirement System of Texas
Utah Retirement Systems

The site visits were invaluable in that they provided CalSTRS staff the opportunity to observe other organizations' benefits received and lessons learned from imaging and workflow technology implementations. Observations are summarized below.

Benefits Received:

- Improved service levels
- Improved operating efficiency
- Reduced document processing time
- Elimination of file contention
- Increased data security
- Increased disaster recovery
- Improved parallel processing capabilities
- Improved case tracking and inventory capabilities



Lessons Learned:

- Backfile conversions are costly and require a well-thought out strategy for success
- System functionality should increase over time; initial implementation should be simple with limited functionality
- PY savings were not attained

C. STATE LEVEL CONSIDERATIONS:

None

D. JUSTIFICATION:

This project is in direct support of the following CalSTRS' business goals:

- Continuous improvement in the delivery of benefits and services
- Maximum level of benefits and services within available funding
- An organizational environment that is professional, productive, and innovative

The following opportunities were identified in support of document imaging and automated workflow technology implementation:

Increased processing efficiency

Through elimination of manual tasks, reduced processing elapse times, reduced staff interruptions, and increased access to required information.

Improved customer service

By providing immediate answers to member inquiries regarding application processing status, information on and about active documents and processing requirements, and information on and about archived documents and previous actions to member accounts.

Personnel cost avoidance

Through reduction of staff effort to process CalSTRS member benefits and services and subsequent ability to absorb additional workload requirements.

Improved disaster recovery

By decreasing the risk and cost associated with the recovery of member files and documents in the event of a disaster.

Reduction of lost files and documents

Through immediate and permanent capture of documents as they are received at CalSTRS.



Increased management and control over work processes

By providing management with the tools to accurately assess workload and processing characteristics and statistics and adjust processing assignments and cycles to best meet production requirements.

Increased availability of documents within CalSTRS

Through the initial capture of incoming documents as opposed to the eventual capture of documents following processing.

Improved infrastructure for CalSTRS future

By providing an integrated document management, information capture, and automated workflow system with full capability to accept and process information received through planned technology applications such as Computer Telephone Integration (CTI) and electronic business processing (E-Business).

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

The proposed solution is comprised of:

- Scanning paper documents as they enter the CalSTRS workplace.
- An enterprise document management system with the ability to organize, access, and control document-based information—paper and electronic. Document-based information includes paper documents, mainframe application generated documents, PC generated word processing documents, PC generated spreadsheets, e-mail, and data received electronically through internet based applications.
- Software that automates and standardizes the movement of document-based information that is processed at CalSTRS.
- A backfile conversion of 6.5 million existing microfilmed documents (indexed and non-indexed)
- An environment that is ergonomically designed to ensure the successful initial and ongoing technology implementation for CalSTRS staff.

Feasible alternatives considered to implement the proposed solution include:

❖ **Teale Data Center Hosted System**



Under this alternative, the equipment and software required to scan and index documents would be installed within the CalSTRS Headquarters; however, the document management software, index and image storage, automated workflow software, and backup devices would be physically located at the Teale Data Center. One additional T-1 communications line dedicated to the imaging application would be installed between the Teale Data Center and CalSTRS to ensure that imaging traffic does not interfere with mainframe processing and access, in particular during CalSTRS peak processing times.

One time costs to implement this alternative over a two year period are estimated to be :

Infrastructure	-	\$3,730,465
Backfile conversion	-	650,000
TOTAL	-	\$4,380,465

Continuing costs to support the operation of this alternative are estimated to be \$220,834 during FY 2000/2001 and \$286,194 for subsequent fiscal years.

❖ **CalSTRS Hosted System**

Under this alternative, all equipment and associated maintenance activities would be hosted and performed at CalSTRS by CalSTRS staff. This alternative would require CalSTRS to hire two additional technical staff to maintain and operate the servers and storage devices.

One time costs to implement this alternative over a two year period are estimated to be :

Infrastructure	-	\$3,774,507
Backfile conversion	-	650,000
TOTAL	-	\$4,424,507

Continuing costs to support the operation of this alternative are estimated to be \$278,462 during FY 2000/2001 and \$328,462 for subsequent fiscal years.

F. TIMETABLE:

Project Phase	Est. Start Date	Est. Completion Date
FSR and BCP Approval	06/01/99	07/15/99
Procurement	07/15/99	06/30/00
Phase I – Implementation	07/01/00	06/30/01
Backfile Conversion – CAR	01/01/01	03/31/01



Phase II – Implementation	07/01/01	06/30/02
Backfile Conversion – Remaining Microfilm	07/01/01	09/30/01
Post Implementation	12/01/02	12/31/02

G. RECOMMENDATION:

The Teale Data Center Hosted System is the recommended solution for implementing imaging and automated workflow technology. This alternative was selected because it meets all of the defined objectives and functional requirements defined in the feasibility study. Implementing this alternative will provide great benefit to the CalSTRS in terms of improved customer service, increased processing efficiency, and future personnel cost avoidance.

Advantages

This alternative offers the following advantages over the other alternative considered:

- The successful operation of servers and other storage devices will be the responsibility of data center staff who are highly trained and experienced in this technology.
- Backup and recovery routines will be performed by data center staff with demonstrated success and experience.
- No reconfiguration of CalSTRS computer room facilities will be required.
- The CalSTRS will not own the storage devices and therefore will not bear the cost and associated workload required to upgrade equipment and operating system software.
- The Teale Data Center operates on a 24 hour per day, 7 days per week basis. As CTI and electronic commerce applications are implemented and expected to be available outside of the 8 to 5 normal workday hours, the Teale Data Center infrastructure will be able to accommodate any interfaces proposed. The CalSTRS currently does not have staff resources to absorb this responsibility.
- The cost for implementing this alternative is less than the cost for implementing the other alternative.

2000-01 BUDGET CHANGE PROPOSALS
BCP #21B

TITLE: Department PC Standardization

BRANCH/OFFICE: Information & Financial Systems Branch
Information Technology Services Division

SUMMARY: This BCP requests funding to standardize PC equipment and software within CalSTRS. Standards include a three-year refresh cycle for hardware and software upgrades and/or replacements, and there will be a three-year pilot project to lease PC's used by the Information and Financial Systems Branch, START, Legal and the Executive Office. The remainder of CalSTRS will have existing PC's upgraded to standard at a one-time cost of \$100,000.

TOTAL POSITIONS: 0

TOTAL COST: \$181,700 (\$ 81,700 permanent funding)
(\$100,000 one-time funding)



TITLE OF PROPOSED CHANGE: Departmental PC Standardization

A. NATURE OF REQUEST:

The establishment of standards for PC operating system, hardware configuration and business application suite is an important step in building a robust and stable computing infrastructure. Compatibility of business software suite and version is the driving force behind this requirement. The ability to route, edit and use a Word or Excel document ANYWHERE in the department without version translation is critical. A standard hardware configuration, running a standard operating system and a standard business application suite is the most effective way to utilize PC technology in support of CalSTRS' business needs.

Finally, CalSTRS can more efficiently plan, design and implement departmental applications with a standard base of workstations to build on. This proposal presents one alternative as a means to that end.

B. BACKGROUND/HISTORY:

The State Teachers' Retirement System (CalSTRS) has over 460 staff and management positions. The majority of these knowledge workers have a personal computer (PC) on their desk. The PC population at CalSTRS is comprised of a wide range of hardware (from older 486-based systems to the newest Pentium II-based models). PC operating systems in use also span several generations, including Windows version 3.1, 3.11, Windows 95, Windows 98 and Windows NT. Finally, the application software in use include two or three versions of each genre (word processing, spreadsheet and database packages, in particular).

Each Branch and/or Division within CALSTRS manages its own specification, procurement and refresh processes for PCs, without an overall departmental strategy. While Year 2000 (Y2K) compliance HAS been addressed in a department-wide, cooperative effort, the issues of hardware standardization, software licensing and software compatibility have yet to be addressed at the highest levels.

Within most Branches, the Information Technology Liaison(s) have established standards that are remarkably similar. The establishment of an agency standard, built by and agreed upon by every Branch, will lay the groundwork for finding the most efficient way to implement, maintain, and refresh PC technology within CalSTRS. A standard hardware configuration, built to support BOTH Windows 98 and Windows NT, is a vital step in that plan. A standard business software suite, MS Office Professional today and perhaps Office 2000 soon, will best serve the department in support of its business needs. Finally, the ability and willingness to refresh PC technology at each of the 3 levels (hardware, operating system and application software suite) establishes a planning tool that all of CalSTRS can use in projecting PC technology costs.

However, the funding mechanism for PC technology often puts technology refreshes in direct competition with other equipment needs (e.g., printers, copiers, and other peripheral devices). Establishing a corporate PC technology refresh budget, built on some redirections and some new funding, is recommended. This technology refresh budget would then allow Branch management to participate in a departmental refresh program, while retaining equipment monies for other needs.



C. STATE LEVEL CONSIDERATIONS:

There are no State level considerations.

D. JUSTIFICATION:

The advent of STRSNet (the enterprise-wide local and wide area network) has made possible new collaborative technologies. Workgroup sharing of data files, LAN-based e-mail service, and the Corporate Imaging Project all depend on the STRSNet infrastructure. Collaborative data sharing is an important part of most workgroups. Yet, differences in software versions increase the total cost of ownership of PCs by:

- increasing the time and support resources needed to accomplish day-to-day tasks;
- increasing the costs of training staff and the costs of training support personnel;
- Increasing the costs of implementing department-wide tools (e-mail, letterhead templates, for example).

The department incurs these costs in the support of the mixed operating systems and application versions that populate its PCs.

Hardware specifications in the PC arena are largely driven by two factors: the needs of software (both operating systems and application packages) for CPU, memory and hard disk storage and the falling price of mid-range Pentium-based systems. These factors have created a default standard within the department (based on current and planned PC procurements). The opportunity exists to begin a department-wide hardware refresh process, though significant cultural and political hurdles would need to be overcome.

The roles of the ITLs vary within each Branch and/or Division. Most ITLs serve as business unit analysts as well as technical support analysts. The pending implementation of the corporate e-mail system (MS Exchange/Outlook) will add to the workload of the ITLs. One goal of this proposal is to offload the hardware support duties of the ITLs, including the initial configuration, setup and installation of PC workstations. Once the initial installation is complete, the ITLs' hardware-related tasks are limited to replacing failing or defective components or systems. PC Leasing is one way to free up ITL time for software support and other related analytical duties.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Baseline Alternative (Status Quo):

The current system of PC technology refresh is not based on standards (hardware OR software). It has no departmental direction and is more costly to support than ANY standards-based approach would be. The lack of standards increases the costs of planning corporate-level application design, implementation and maintenance. Establishing and maintaining standards that accommodate special needs (i.e., extraordinary capabilities due to business needs or reasonable accommodations) is vital to a stable and robust computing infrastructure.

Pros: Allows Branch/Division management maximum budget flexibility in PC technology refresh timing and levels.



- Cons: Does not provide the level of compatibility (at the software application level) that solves the problems arising from disparate versions being used throughout the department;
- Does not address needs of the department to establish and maintain PC hardware and software standards;
- Increases the planning, implementation and maintenance costs of department-wide applications (e-mail, business application suites, Intranet applications) with the variety of hardware capabilities and software versions installed today;
- Does not address needs for ITLs to accommodate additional software support workload at desktop.

PC Purchase/PC Standards:

One alternative is to establish and maintain PC standards, and couple that with the one-time purchase of standard desktop PCs for the majority of the department. Those users with special needs would be accommodated with purchasing special equipment, as determined by Branch management. Spare units would be purchased to minimize downtime when systems failed. A Branch or Division "PC image" would be used to minimize installation time. The department would also establish and support a 3-year PC technology refresh cycle.

- Pros: Establishes and maintains a set of PC standards that accommodates the majority of business needs in the department, while decreasing the costs associated with planning, implementing and maintaining corporate standard software;
- Implements in one year the standard desktop configuration for nearly all users;
- Reduces the hardware support costs (ITLs) while increases the resources available for software support;
- Frees up equipment budget monies for peripheral device procurements in years 2 and 3.
- Cons: Results in a one-time capital outlay that is approximately 2-3 times greater than the department normally budgets for PC procurements;
- Results in a one-time resource drain on the ITLs to configure and install the PCs in the first year;

PC Leasing/PC Standards:

The recommended alternative is to enter into a 3-year lease agreement for PC desktop equipment for the I&FS Branch, establishing and maintaining PC standards for the department as a whole, and upgrading the remainder of the department's existing PCs to meet the department standard. Those users with special needs would be accommodated with leasing special equipment or with special purpose PCs outside of the standard, as determined by Branch management. Within I&FSB, spare units would be leased to minimize downtime when systems failed. A Branch "PC



image" would be used to minimize installation time. The department would also establish and support a 3-year PC technology refresh cycle. This Branch-specific lease option will serve as a "proof of concept" for evaluating whether department-wide leasing should be considered.

- Pros:
- Establishes and maintains a set of PC standards that accommodates the majority of business needs in the department, while decreasing the costs associated with planning, implementing and maintaining corporate standard software;
 - Implements in one year the standard desktop configuration for nearly all users;
 - Reduces the hardware support costs (ITLs) while increases the resources available for software support, by outsourcing the configuration, setup and installation at the desktop to the leaseholder as part of the PC lease;
 - Frees up equipment budget monies for peripheral device procurements in years 2 and 3.
 - Results in a reduced one-time cost to the department.

Note: By leasing PCs of comparable quality to those normally bought ("second tier PCs"), the premium paid by the department for leasing can be reduced. This premium can be offset by redirecting ITL resources to other support tasks (e.g., software, IS analysis).

The table below is based on current estimated costs from one CMAS vendor. The equipment capabilities quoted include:

- Pentium III CPU @ 400Mhz or greater,
- 128MB RAM or greater,
- 6GB Hard Drive or greater,
- 32x CD-ROM drive or greater,
- 17" Monitor, or greater,
- 2.0 Compliant DMI,
- Windows NT 4.0 SP5 or the latest approved release,
- 16MB Token Ring Card,
- 3-year On-site warranty.



The 162 PCs include I&FSB, Legal, START and two Executive Office users, plus 5 spare units to accommodate future needs.

<i>Costs</i>	<i>Lease Monthly</i>	<i>Purchase One Time</i>	
Basic Hardware	\$33.89	\$1,100.00	
Delivery, De-Install	\$5.04	Not Included	
On-site Install, Setup, Testing	\$1.60	Not Included	
Custom SW Install	\$1.51	Not included	
3-year On-Site Warranty Service	Included	Included	
Insurance (Theft)	Included	Not included	
Total	\$42.04	\$1,100.00	
	Year One	Year Two	Year Three
	FY00/01	FY01/02	FY02/03
Lease 162 PCs, Year One	\$81,726	\$81,726	\$81,726
Cumulative Lease Cost	\$81,726	\$163,452	\$245,177.
Purchase 162 PCs, Year One	\$178,200	\$0	\$0
Outsource Installation/Setup	\$16,200		
Cumulative Purchase Cost	\$194,400	\$194,400	\$194,400

In addition to the costs associated with bringing in new systems, this BCP requests \$100,000 one time augmentation to the ITSD budget to be used to upgrade the existing PC population to the agreed-upon standard configuration in FY 00/01.

The total requisition for Year One is \$181,726, and for Years Two and Three the total requested is \$81,726/year.

F. TIMETABLE:

<i>Event/Task</i>	<i>Time to Completion</i>
Establish PC Standards	FY99/00
Negotiate Lease Terms and Conditions	FY99/00
Begin Lease Agreement	July 2000
Inventory Existing PC Population	July 2000
Procure Upgrades for Existing PCs	August 2000
Install Upgrades to Existing PCs	September 2000

2000-01 BUDGET CHANGE PROPOSALS
BCP #21C

TITLE: STRSNet Backup and Technical Library Technologies

BRANCH/OFFICE: Information & Financial Systems Branch
Information Technology Services Division

SUMMARY: This BCP requests funding for automating the daily backup of the STRSNet local area network and automating technical documentation received from Microsoft's TechNet program. Automating these two distinct functions will reduce staff time by accomplishing the tasks unattended.

TOTAL POSITIONS: 0

TOTAL COST: \$148,000 (\$ 30,000 permanent funding)
(\$118,000 one-time funding)



TITLE OF PROPOSED CHANGE: STRSNet Backup and Technical Library Technologies

A. NATURE OF REQUEST:

STRSNet was created in 1996 by combining several autonomous networks into one enterprise-wide, centrally managed Local Area Network (LAN). In 1997, when CalSTRS' Public Service Office moved to a new site, STRSNet grew into a Wide Area Network (WAN). STRSNet is now comprised of eight file and print servers, supporting over 550 CalSTRS employees and is managed by the STRSNet staff of the Information Technology Services Division (ITSD).

Nightly, weekly and monthly backups of user data files is a critical function of managing the STRSNet. Streamlining this process will save staff time and will improve the reliability of the backups.

Technical documentation is increasingly being made available by the information technology industry *only* in CD-ROM format. With the capacity to hold over 600 million bytes of data, each CD-ROM can easily hold a dictionary's worth of information. Providing access to technical data stored on CD-ROM disks to CalSTRS' technical staff (primarily ITSD and the Information Technology Liaisons or ITLs) will improve staff's trouble-shooting and problem-solving skills.

B. BACKGROUND/HISTORY:

STRSNet network services benefit every CalSTRS employee by maintaining the physical infrastructure as well as managing the data resources stored on the network. Part of that data resource management is the backup/restore capability. Each night, all data stored on the network is backed up to magnetic tape. A weekly and a monthly backup are also taken for historical purposes. Tape backups are stored off-site at a secure storage facility under contract to the Teale Data Center.

The amount of data stored on STRSNet has grown dramatically over the last two years. In addition to a few new positions creating new data, existing users are increasing their rate of consumption of network data storage. With an increase in the amount of data stored comes an increase in the workload inherent in backing up that data. Currently, STRSNet staff backup over 18 gigabytes of data, a process that takes over 3 and 1/2 hours to complete.

In FY99/00, ITSD will be implementing a new LAN-based e-mail system, based on the MS Exchange Server and the MS Outlook client. Bringing e-mail functionality in-house (i.e., moving away from mainframe-based Officevision/VM) will increase the data storage requirements (and thus the data backup requirements) of the STRSNet. **The e-mail data store will initially be 7 times larger than the current STRSNet data store!** Running our own e-mail system will also increase the pressure on STRSNet staff to keep the network up longer (evenings and weekends, for example). So, we have a combination of increasing data storage and less time to run the back-up process. Automation can streamline the process, shorten the time needed to completely back-up the data, while accommodating the growing data store.

ITSD works closely with the ITLs on matters of desktop workstation support, including issues concerning operating systems (Microsoft Windows NT, Windows 98/95), business software suite (Microsoft Office), and 3270 terminal emulation (Attachmate Extra!). CD-ROM is the most common media used for distribution of user and support manuals. For example, ITSD subscribes



to Microsoft's TechNet (Technical Support Network). TechNet delivers monthly CD-ROMs full of troubleshooting tips and techniques, help that is relevant and useful to the ITLs, as well.

Currently, ITSD has no way to centrally store and share its TechNet CDs. ITSD staff must take the CDs to an individual workstation and only one analyst can be using the CD and its information at any one time. If an ITL wants to borrow a CD, ITSD must check out the CD, track its whereabouts, and again, only one user at a time can use the information on that disk. The overall mean time to resolve the more complex problems rises because the necessary information is not readily available.

C. STATE LEVEL CONSIDERATIONS:

There are no State level considerations.

D. JUSTIFICATION:

This proposal is consistent with the department's strategic plans, both business and information technology. This proposal supports the objective of continuous improvement in the delivery of benefits and services. This proposal effectively improves the uptime for the STRSNet and improves support services by making available critical troubleshooting information.

The timing of this technology is critical, as it must be in place to accommodate the new e-mail system's increased data storage requirements.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

STRSNet Backup: There are three alternatives to this proposal. One alternative would be to use existing technology to continue to process data store backups. As data storage grows, backups will take longer, resulting in loss of productivity (the STRSNet production hours will be negatively affected). Eventually, STRSNet staff would need to be augmented to accommodate the growing manual labor aspect of backing up the data on standalone devices attached to several servers. Finally, this alternative introduces an increasing chance of failure, due to its dependence on human action being timely and accurate every time.

The second alternative would be to limit the backup process window (i.e., not to exceed 6 hours) and then prioritize the data storage to be backed up. At some point, the size of the data store would grow beyond what could be backed up in that timeframe and some data would not be backed up. This presents an unacceptable risk to CalSTRS, although it could be a matter of months before that threshold is crossed.

Finally, Teale Data Center offers a network backup strategy called ADSTAR Distributed Storage Management (ADSM). Under the ADSM process, STRSNet data storage would be backed-up, across the wide area network, to Teale Data Center's MVS system and stored. While this method would minimize STRSNet downtime for back-up, the costs exceed the benefits. The annual, on-going costs of the ADSM alternative would equal the 3-year operating costs of the proposed solution, including capital outlay in year one and three years' worth of media and maintenance.

The proposed solution, automating the in-house backup process, would deliver measurable benefits:



- It would allow STRSNet staff to program and automatically run the nightly backup unattended;
- It would allow the STRSNet to "stay open" longer, by keeping the backup process window as short as possible;
- It would allow the STRSNet data store to grow as needed and still be backed up to a reliable media;
- It allows STRSNet staff to maintain control over the backup media, and to effect restores of data files upon demand, usually within hours of the request for the restore.

STRSNet Technical Library: There are two alternatives to this proposal. The first alternative is to copy CD-ROMs for use by multiple analysts (ITSD and ITLs). This alternative is manually intensive. For each full (600 MB) CD-ROM copy, an analyst must load the original and a blank disk and start each copy. Copy time varies according to the speed of the writing unit, but averages 1/2 hour per disk. TechNet's knowledge base occupies 3 disks, and there are 20 staff (between ITSD and the ITLs), so each month's copies would take about 30 hours of staff time, or about 1/5 PY.

The other alternative would be to copy CD-ROMs of interest to a shared directory on a STRSNet hard disk drive. Access to the shared drive would be granted to all interested staff and ITLs. This alternative takes much less staff time (copying a CD-ROM to hard disk over the network takes less than 10 minutes). There is an additional cost associated with backing up the data once it is stored on the network. And there is a small additional cost associated with managing the data, updating the most current information, archiving the oldest.

While both of these alternatives cost less than the proposed alternative, each requires much more staff time to implement, maintain and manage. The proposed alternative provides the greatest access to the technical information at the lowest staff time cost.

F. TIMETABLE:

Procure Hardware, Software	July, 2000
Install Hardware, Software	August, 2000
Test Backup	September, 2000
Test Technical Library System	September, 2000
Begin Production	October, 2000

2000-01 BUDGET CHANGE PROPOSALS
BCP #21-D

TITLE: START II Augmentation

BRANCH/OFFICE: Executive Branch
START

SUMMARY: This BCP requests funding to augment START after the project is initially implemented and goes "live" in March 2000. System enhancements and modifications have been deferred and this funding will provide for their design and development in the new fiscal year.

TOTAL POSITIONS: 0

TOTAL COST: \$1,300,000 (one-time funding)



TITLE OF PROPOSED CHANGE: START II

A. NATURE OF REQUEST:

This request is to increase the Operating Expense and Equipment Budget for the State Teachers' Automation Redesign Team (START) project for the Budget Year 2000-01 by \$1,300,000. This increase will pay for the design and development for system modifications by SPL WorldGroup Inc.

B. BACKGROUND/HISTORY:

Recognizing the need to modernize its automated systems, CalSTRS undertook the project in July of 1994 to redesign primary data bases and processing systems. This undertaking was the result of a feasibility study that recommended developing a new data base design and migrating STRS' automated applications to a new data base management platform and developing in a new application programming language. With approval from the Teachers' Retirement Board, a Request for Proposal to redesign STRS' automated systems was released in March of 1995. The name of this redesign is the START Project (State Teachers' Automation Redesign Team).

SPL WorldGroup was awarded the contract in 1995. The START system is scheduled for delivery in September 1, 1999. Prior to this date it was necessary for project management to freeze any changes or modifications to the newly designed system in order to meet the very business critical implementation date of March 2000. Unless a change is considered critical and meets established criteria it is captured and saved for development Post START. This will allow CalSTRS to implement START and receive the benefits of the new system as early as possible. These changes will be prioritized and scheduled. Any changes in design also result in changes to the project schedules and workplans for Testing, Conversion and Training.

C. STATE LEVEL CONSIDERATIONS:

None

D. JUSTIFICATION:

Modifications to the newly implemented START System must be accomplished to fully achieve the benefits of automation and provide service to clients and elimination of system work arounds.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Alternative 1

Augment the START Budget by \$1,300,000 for design and development.

Pros:

- Obtain full benefits of START and improve of services to members.

Cons:

- Increase Budget Year 2000-01 requirement.



Alternative 2

Complete changes to system design prior to implementation of START in March 2000.

Pros:

- Reduces Budget Year 2000-01 requirement.

Cons:

- Business critical March 2000 implementation date will not be met;
- Delaying implementation to October 2000;
- Adversely impacts other projects.

F. TIMETABLE:

July 1, 2000 to June 30, 2001

G. RECOMMENDATION:

Alternative 1

Provide funding of \$1,300,000 for START II.

2000-01 BUDGET CHANGE PROPOSALS
BCP #22

TITLE: Conduct Board Elections (for three new Board Members)
per AB 311 (Honda)

BRANCH/OFFICE: External Affairs and Program Development Branch
Legislation, Planning & Program Development Division

SUMMARY: AB 311 (Honda) requires the CalSTRS to increase the number of Board members from 12 to 15 and to provide for the election of these three new Board members. They would be elected for four-year terms beginning on January 1, 2001. This request would provide the staff and funding necessary to develop the regulations and conduct the election in 2000-2001.

TOTAL POSITIONS: 1

TOTAL COST: \$377,000 (\$137,800 permanent funding)
(\$239,200 one-time funding)



TITLE OF PROPOSED CHANGE: Conduct Board Elections (for three new Board Members) per AB 311 (Honda)

A. NATURE OF REQUEST:

The External Affairs and Program Development (EAPD) Branch requests funding to conduct the first election of three new board members pursuant to AB 311 (Honda). This bill requires the TRB to contract with a private firm to conduct the elections if the board determines that the contract would result in a cost-savings to the board. Based on a review of elections conducted by a private firm under contract to the California Public Employees Retirement System (CalPERS), Sacramento County elections office, and a cost estimate of conducting the election within CalSTRS, staff determined that the most cost effective means of conducting the election would be to contract with a private firm. A permanent 1.0 Associate Governmental Program Analyst (AGPA) also is being requested to prepare regulations regarding these elections and to oversee the election.

B. BACKGROUND/HISTORY:

Prior to the passage of AB 311 (Honda), the California State Teachers' Retirement System (CalSTRS) Defined Benefit Program and the Cash Balance Benefit Program were administered by the 12-member Teachers' Retirement Board. AB 311 (Honda) changed the composition of the board, as reflected in the following chart.

DISTRIBUTION OF BOARD SEATS

Board Member	Current	Proposed
K-12	2	1 - Appointed
Community College	1	1 - Appointed
Retired	1	2 (appointed, new term begins 1/1/00)
School Board	1	1 (appointed, new term begins 1/1/00)
Life Insurance, Bank	2	0
Public	1	3 (appointed, confirmed by Senate)
State Officers	4	4
Elected active members/part.	0	3 (elected term begins 1/1/01)
TOTAL	12	15*

*Teacher, retired member, and retired participant members of the board serving on December 31, 1999 may complete their terms. Teacher members may complete their terms if they remain members of CalSTRS. Any person appointed after the expiration of the term of that person may serve until January 1, 2004.

AB 311 (Honda) requires that the number of board members be increased to include three elected members, at an election provided for by the board, for four-year terms commencing on January 1, 2001. The bill also requires the board to adopt regulations regarding these elections, and exempts



the regulations from the Administrative Procedures Act. Existing CalSTRS legal staff will need to review the legal sufficiency of election related documents and draft program regulations.

C. STATE LEVEL CONSIDERATIONS:

This BCP is in accordance with CalSTRS' goals and objectives to maintain a financially sound retirement system, expand and improve upon benefits and continuously improve the delivery of benefits and services. The addition of three members to the board, elected by active members and participants, will increase representation by CalSTRS members, thereby providing an opportunity for sound decisions by the board in the policy and programmatic direction of teacher's retirement benefits.

AB 311 requires the board to provide for the elections for three new board members. It also requires the Secretary of State (SOS) to certify election results and requires CalSTRS to reimburse the SOS for their services. The SOS currently certifies the CalPERS Board of Administration elections. SOS staff indicated that the election results certification process required under the provisions of AB 311 is a minor administrative task, which can be performed at no cost to CalSTRS.

D. JUSTIFICATION:

There are three major components to implementing AB 311(Honda):

1. Adopting regulations to conduct the elections. This process, which would be coordinated with CalSTRS legal staff, includes researching and writing the initial draft of the proposed regulations and coordinating materials for review and adoption by the board. Since this would be the first election, we anticipate many questions and requests for clarification from the board. Over the span of one year, we estimate that this process would entail significant staff time.
2. Conducting the elections. CalPERS costs to contract out its last election to a private firm were \$422,000 or approximately 54 cents per voter. These costs included testing and printing ballots, printing outer envelopes, printing candidate statements, printing return envelopes, postage and counting and tabulating returned ballots for 777,000 CalPERS members. CalPERS staff also indicated that the postage cost to mail a ballot package would be estimated at the least expensive, 26 cents per piece, after postal discounts. This cost can increase to 49 cents depending on the number of candidates or the size of the package. In addition, CalPERS' election included three different types of ballots for various represented members. CalPERS' costs also included sending ballots to the members' employers when there was no current home address available.

According to CalSTRS actuarial data, as of 6/30/98 active membership in the system is approximately 385,000. Based on an average cost per voter of 54 cents and an active membership of 385,000, and assuming that CalSTRS would conduct a similar type of election, total election costs would be approximately \$208,000 in fiscal year 2000-01 (the first election year) and every four years thereafter.

While the bill requires CalSTRS to contract with a private firm to conduct the elections (if the board determines that the contract would result in a cost-savings to the board), in-house staff hours will be required to oversee the election process. These activities include coordinating with and hiring the private firm to print the ballots, pamphlets and other election materials, ensuring that all deadlines are met with respect to the election and monitoring the progress of the election itself. Staff estimates the total hours for this process to be approximately 1,450 hours.



Increasing the current board membership to 15 from 12 will increase annual board-related expenditures. Support costs for general operating expenses and per diem expenses for the additional members would be approximately \$46,000 per year.

3. Secretary of State (SOS) certifies election results. AB 311 requires the SOS to certify election results and requires CalSTRS to reimburse the SOS for their services. The SOS currently certifies the CalPERS Board of Administration elections. SOS staff indicated that the election results certification process required under the provisions of AB 311 is a minor administrative task, which can be performed at no cost to CalSTRS. Therefore, the coordination between the CalSTRS and the SOS on the election results could be accomplished by the proposed staff and would take approximately 250 hours.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

The following alternatives discuss the costs of developing and administrating the elections only. They do not discuss or include additional operating expenses of approximately \$46,000 that are estimated for the three new board members.

Alternative 1:

Contract with a private firm at a cost of \$225,000 to conduct the elections and absorb any additional CalSTRS workload within existing resources. This alternative would be the least costly, but the amount of effort needed by CalSTRS staff could detract from completing other necessary tasks.

Alternative 2:

Contract with a private firm at a cost of \$225,000 to conduct the elections, hire an AGPA and increase temporary help to implement the election and adopt the required regulations, at a cost of \$72,700 plus general expense support costs.

Alternative 3:

Conduct the election entirely within CalSTRS. Based on an earlier analysis, the estimated cost of this alternative is \$315,000, in addition to an AGPA and an increase in temporary help to implement the election at \$72,700 plus general expense support costs.

F. TIMETABLE:

CalSTRS staff estimates a minimum of one year; three to four months to complete the process for development and adoption of regulations necessary to conduct the board elections and at least six to nine months to conduct the election. For the first election, this lead-time includes development of an RFP to contract with the private sector to conduct the elections and development of pamphlets, candidate statements and other election-related materials. As a result, the January 1, 2001 effective date for the first term of the elected members will require implementation and a start date for additional resources of January 1, 2000.

CalSTRS staff contacted the CalPERS' elections officer to discuss their elections time table. CalPERS uses a one-year time table to conduct their elections, as follows:

April 1st: mail out Notice of Election document

May 24th: deadline for receipt of Nomination Petitions



June 7th: deadline for receipt of nomination acceptance petitions from candidates

June 15th: names of candidates ordered and placed on ballot

October 1st: ballots mailed

October 29th: deadline for members to notify system if ballot not received and new one should be issued

November 30th: deadline for receipt of completed ballot by system

December 1st - 8th: processing of ballots received (opening envelopes, removing ballots, and tabulation of election results).

G. RECOMMENDATION:

Alternative 2 would be the most cost efficient alternative to conduct the election and adopt regulations. This alternative will ensure the CalSTRS staff are directly responsible for implementation of an election process, and would also ensure that the election will be conducted as cost efficiently as possible by using proven private sector resources to print and mail election-related documents, consistent with legislative intent.

2000-01 BUDGET CHANGE PROPOSALS
BCP #23

TITLE: RCS Augmentation

BRANCH/OFFICE: Client Benefits & Services Branch
Regional Counseling Services (RCS)

SUMMARY: This BCP requests funding to expand the RCS program by adding 4 permanent positions (3 Retirement Program Specialists I/II, and one Office Technician) and 7 full time equivalent (FTE) contract positions. Three of the new employees will be assigned to the San Jose Field Office to provide retirement services in the San Jose/Bay Area and one will be assigned to Sacramento headquarters. Existing contracts with County Offices of Education will be augmented by 7 FTE positions to supplement expanded workload.
(The BCP is conditional, subject to further review).

TOTAL POSITIONS: 4

TOTAL COST: \$649,200 (\$608,500 permanent funding)
(\$ 40,700 one-time funding)



TITLE OF PROPOSED CHANGE: Augment Regional Counseling Services

A. NATURE OF REQUEST:

This request is to expand RCS' (Regional Counseling Services) resources based on the increased number and complexity of CalSTRS benefit programs, increase in membership from 313,000 to approximately 400,000 and demographic shifts in membership. The additional resources will provide the ability to deliver increased counseling services, and improve the communication and information flow to CalSTRS membership. As CalSTRS increases its outreach to younger members, this also increases the demand for information sharing to members and increased coordination with CalSTRS constituent groups. This demand cannot be met within existing RCS resources.

B. BACKGROUND:

In 1986, in response to demands from members, client organization representatives, the TRB, and the legislature, the RCS approach to providing benefit information services was developed. Contracts with various school employers were developed to hire district/county staff to provide those services. Costs of the services are reimbursed by CalSTRS. At the conception of the RCS program, CalSTRS had 263,569 members and 107,461 benefit recipients. There was one disability, death and survivor benefit plan, and the System had just recently added options four and five to the retirement allowance choices. In FY 1992/93 the membership had grown to 313,000 members, and the number of Full Time Equivalent (FTE) counselors grew from the original 23 to the present 26.

Since that time a number of trends have affected the delivery of benefit counseling to CalSTRS members. The increased complexity of the benefits offered and other changes has increased the length of time it takes to properly conduct interviews with members. At program inception, the average counseling interview took 30 minutes for retirement and 50 minutes for disability interviews. With the development of additional options and disability programs, exceptions and additional service credit, the retirement interviews increased to the current 60 minutes and for disability, two hours. The addition of Option "8" and additional service credit for purchase is estimated to increase each interview approximately 20 minutes---an overall increase of one third or an additional 8,000 hours per year—a one third increase in needed FTEs.

Increased benefit complexity has also made it more difficult to train and retain RCS counselors. Training for new RCS counselors has been extended from two to three weeks. Added benefit complexity has also had an impact on RCS Counselor retention. Some counselors are very concerned that they will not be able to adequately explain the complex benefit structure to CalSTRS members. Accordingly, CalSTRS is currently experiencing twice the rate of counselor turnover since the program began in 1986.



One of the difficulties that CalSTRS faces in delivering RCS services is the seasonal nature of the work. Normally, when enough resources are available, the number of interviews swells from a low in the summer and fall to more than three times that level in the winter and spring. The most economical solution is to use part-time employees who can work flexible schedules. The problem is keeping their skills up during the slack season and maintaining training efforts to reflect the rapid changes in benefit law and operational procedures. The problem manifests itself when a member who has a complex problem needs counseling. Most of the part time counselors can effectively handle the routine inquiries. However, it takes a well-trained and experienced counselor to handle the unique and complicated situations that arise. For those, we most often need full-time staff to deal with the situation. In addition, CalSTRS needs to return to where we have the resources to handle temporary fluctuations in the demand for services. Since the development of the CalSTRS website, the counselors have heavily promoted to members that they should use the web site estimate program to update their estimates; not come for another appointment. The growth in the number of interviews is in spite of that promotion. (See attached charts representing the membership growth and the age distribution of members.)

C. STATE LEVEL CONSIDERATIONS:

Historically, the "Teacher Retirement Law" has contained provisions that enable California schools to recruit and retain the best qualified teachers to serve in California's public schools. Establishment of benefit information services administered through RCS and FEP (Financial Education Program) serves that end.

D. STATE LEVEL CONSIDERATIONS:

Existing resource levels are inadequate to maintain current service levels and the increased demand by the CalSTRS membership for information services and do not provide at all for the need to provide for the benefit information services targeted specifically to younger CalSTRS members.

1. The CalSTRS member population has increased 24.68% from 6/30/93 to 6/30/98. By 6/30/99 the membership will be an estimated 400,000 active members. Demographic shifts have also occurred in our most highly populous counties. For example, all of the contiguous counties of San Francisco Bay have 35% or more of their membership in the 51+ age category.
2. Approximately 22,000 interviews were planned for FY 1998/99. The existing level of FTEs actually provided approximately 25,000 interviews.



3. Service level flexibility needs to be maintained to be able to meet peak demand for interviews. Subject to location, interviews are scheduled out two months in advance. It is very difficult to have the flexibility to schedule interviews on an emergency basis.
4. Resources must be adequate to expand the interview time allocation for increased benefit complexity and increased counselor turnover.
5. To meet the above challenges a hybrid mix of the current predominately part-time counselors and full-time fully trained and professional counselors is needed.

Inevitably comparisons with CalPERS are made. CalPERS has 10 field offices to serve their clientele. Each field office typically is staffed with a SSM I and a clerical.

CalSTRS has 21 offices from which counselors operate under 19 contracts. The 26 FTEs are staffed with slightly more than 50 trained counselors. The majority of counselors work on a part-time basis to permit them to meet the seasonal fluctuation of demand for services.

Services provided by both systems are not comparable, however, CalPERS provides estimates calculated by the mainframe computer in headquarters. Group meetings serve to direct the membership in their planning for retirement.

CalSTRS provides confidential, private interviews. More than 24,000 were provided in 1998/99. Members' insistence upon these services has been the driving force behind the RCS program. The services are mandated under statute in the CalSTRS Law.

Part of the reason confidential, private interviews are needed is related to the complexity of the CalSTRS benefit program and highly individualized choices confronting a member when they apply for a benefit. CalSTRS law also provides some members with an improved allowance if they take advantage of their family situations and choose options in advance of retirement. This provision, in effect, only rewards members and beneficiaries who are perfectly informed and have the precise circumstances that permit them to choose. These circumstances compel CalSTRS to provide an adequate level of service to avoid the situation where members can claim financial harm from lack of knowledge about the effect of these provisions.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

To meet the increased service level demand of a larger CalSTRS membership, increased benefit complexity, and demographic shifts, an increase of 11 FTEs is required. Five to deal with the population increase, six for the added benefit complexity.



Alternative #1:

Do nothing. Members and constituent group representatives will continue to complain about the deterioration of service through phone calls and letters to staff and the TRB.

Alternative #2:

Deploy all 11 FTEs statewide using existing contracts with county offices of education. An additional two RPS I/II positions would need to be added to the headquarters staff to handle the increased effort needed for training, evaluation, monitoring, and servicing/negotiating contracts.

Alternative #3:

Pilot a concept of creating a mix of full-time permanent CalSTRS employees in a field office to conduct interviews in partnership with part time RCS Counselors in the counties. We will use three of the 11 FTEs to staff the Bay Area Field Office with RPS I/II under the supervision of the SSM I. The RCS FTE includes clerical support in the funding, so one Office Technician would also be added to the staff.

Deploy the remaining FTEs to increase the service levels in areas outside of the San Francisco Bay Area.

F. TIMETABLE:

July, 2000

G. RECOMMENDATION:

Alternative 3 is the most economical and effective means to deliver the complex benefit information to an increasing CalSTRS membership where demographic shifts have created the greatest need for services.

It would allow CalSTRS to have a small but flexible, permanent, and experienced professional counseling staff providing counseling services. The staff could also be positioned to take the most difficult and complex interviews, assist in training RCS Counselors, negotiate Bay Area contracts, conduct financial education programs, and assist in developing services for newer members planning their futures. The staff would also relieve headquarters staff to concentrate more effectively on Southern California, the Central Valley, and Northern California.

2000-01 BUDGET CHANGE PROPOSALS
BCP #24

TITLE: Ongoing Contingent Disbursement Services

BRANCH/OFFICE: Information and Financial Systems Branch
Accounting Division

SUMMARY: This BCP provides funding for contingent services of benefit payments in the event the State Controller's Office is unable to make the payments. A contractor will be hired that will provide the necessary back-up payment services to fulfill CalSTRS' contingent needs. Currently, there are approximately 160,000 members and beneficiaries that are at risk. Because permanent funding of this BCP is slated for only a 6 month period (\$72,000), permanent ongoing costs are \$144,000 for 2001/02 FY and beyond.

TOTAL POSITIONS: 0

TOTAL COST: \$222,000 (\$72,000 permanent funding)
(\$150,000 one-time funding)



TITLE OF PROPOSED CHANGE: Ongoing Contingent Disbursement Services

A. NATURE OF REQUEST:

There is a need to provide a back-up disbursement agent in the event the State Controller's Office cannot process retirement payments. Currently, no contingency plan is in place to provide payments to CalSTRS' members and beneficiaries if the State Controller's Office sustains an event that prevents them from making disbursements. This could result in more than 160,000 monthly payments not being made.

B. BACKGROUND/HISTORY:

The State Controller's Office is the primary disbursing agent for the State of California. The State Controller's Office is responsible for maintaining the central control accounts for all funds in the State Treasury, auditing claims against the State and issues warrants for State obligations.

Concerns have recently surfaced with respect to the ability of the State Controller to provide disbursement services if an event (i.e. earthquake, flood, cyber-terrorism, labor action, budget impasse, etc.) prevents the State Controller from producing warrants and electronic funds transfer data.

A survey of other state retirement systems has provided CalSTRS with information regarding contingency plans. Several state retirement systems have a contingency plan in place or are in the process of finalizing a contingency plan.

C. STATE LEVEL CONSIDERATIONS:

There is no impact on other State departments.

D. JUSTIFICATION:

This BCP is in accordance with CalSTRS' goals and objectives to continuously improve the delivery of benefits and services and to meet CalSTRS' fiduciary responsibility to provide timely benefit payments to members and beneficiaries. Failure to provide timely payments could result in a negative impact towards CalSTRS.

E. ANALYSIS OF ALL FEASIBLE ALTERNATIVES:

Continue with no contingency plan in place:

Continuing with no contingency plan in place in the event the State Controller's Office cannot produce warrants results in an extreme amount of risk being assumed by CalSTRS. CalSTRS does not have the capability to produce warrants at the required level of volume.



CalSTRS to produce warrants in the event of State Controller's Office failure:

In order for CalSTRS to be the contingent backup, the System would be required to purchase equipment, supplies, as well as a secured environment to produce warrants. In the event the State Controller's Office cannot produce warrants, existing staff would be required to work overtime to produce the level of volume required. This alternative would require \$750,000 in one-time costs and an additional \$70,000 per month (only when CalSTRS is producing warrants) plus ongoing maintenance and labor to provide disbursement services. This alternative would still require a contingency plan in the event both the State Controller's Office and CalSTRS are unable to produce the warrants.

Contract with outside vendor to provide backup disbursement services:

This is the preferred alternative. This alternative would rely on a bank or financial institution with disbursement experience and knowledge to provide the services. One-time set-up, testing and installation costs are expected to be \$150,000, plus a monthly contingency stand-by fee of approximately \$12,000.

F. TIMETABLE:

Mail out Request for Proposal (RFP)	April 2000
Deadline for Response to RFP	May 2000
Review Responses and Award Vendor	July 2000
Design and Test Services	December 2000
Services in Place	January 2001

G. RECOMMENDATION:

Approve funding to contract with outside vendor to provide ongoing contingent disbursement services to ensure timely payment to members and beneficiaries in the event the State Controller's Office cannot produce warrants due to a catastrophic event.